



**HOUSING AUTHORITY
of the County of Los Angeles**

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Gloria Molina
Yvonne Brathwaite Burke
Zev Yaroslavsky
Don Knabe
Michael D. Antonovich
Commissioners

Carlos Jackson
Executive Director

June 3, 2003

Honorable Board of Commissioners
Housing Authority of the
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Commissioners:

**RESOLUTION AUTHORIZING THE ISSUANCE OF MULTIFAMILY HOUSING
MORTGAGE REVENUE BONDS FOR CASTAIC LAKE SENIOR APARTMENTS IN
UNINCORPORATED CASTAIC (5)
(3 Vote)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Adopt and instruct the Chair to sign a Resolution, as required under Section 147(f) of the Internal Revenue Code of 1986, authorizing the issuance of Multifamily Housing Mortgage Revenue Bonds by the Housing Authority of the County of Los Angeles, in an aggregate amount not exceeding \$9,300,000, to assist the Community Development Housing Group, Inc., (the Developer) to finance site acquisition and construction of the 150-unit Castaic Lake Senior Apartments, an affordable senior rental development to be located at 31910 Castaic Road, in the Castaic area of unincorporated Los Angeles County.
2. Authorize the Executive Director to execute all related documents, following approval as to form by County Counsel, and to take all necessary actions to finance site acquisition and construction of the Castaic Lake Senior Apartments.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

The purpose of this action is to authorize the issuance, sale and delivery of Multifamily Housing Mortgage Revenue Bonds, to finance the acquisition and construction of the

Castaic Lake Senior Apartments. This action will also allow the Bonds to qualify for a tax exemption under Section 103 of the Internal Revenue Code of 1986.

FISCAL IMPACT/FINANCING:

No County costs will be incurred. The Developer will pay all fees and related costs.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

The Housing Authority issues Multifamily Housing Mortgage Revenue Bonds on an ongoing basis to provide financing to increase the supply of multifamily housing for very low-, low- and moderate-income families throughout Los Angeles County.

On December 2, 2002, the Housing Authority conducted a public hearing on the issuance of bonds to finance the Castaic Lake Senior Apartments, as authorized by Section 147(f) of the Internal Revenue Code of 1986, at its office located at 1 Cupania Circle in the City of Monterey Park. No comments were received at the public hearing concerning the issuance of the Bonds or the nature and location of the project.

On December 17, 2002, your Board adopted an Inducement Resolution declaring the intent of the Housing Authority to undertake the financing of Multifamily Housing Mortgage Revenue Bonds for the project in accordance with United States Treasury Department Regulations. This action established a base date after which costs incurred by the Developer of the project could be included in the acquisition, construction and permanent financing obtained pursuant to the issuance of tax-exempt bonds.

The development will consist of 150 units, of which 45 units will be reserved for seniors with incomes not exceeding 50 percent of the area median income (AMI) for the Los Angeles-Long Beach Metropolitan Statistical Area, adjusted for family size, as defined by the U.S. Department of Housing and Urban Development (HUD). A total of 104 units will be reserved for seniors with incomes not exceeding 60 percent of the AMI. One manager's unit will have no income restriction. The affordability requirement will remain in effect for at least 30 years.

The attached Resolution, authorizing the Housing Authority to issue and sell the Bonds to finance the project, has been prepared by Orrick, Herrington & Sutcliffe, Bond Counsel to the Housing Authority, and has been approved as to form by County Counsel. All other related documents are being submitted in substantially final form and will be approved as to form by County Counsel prior to execution by the authorized parties.

On May 28, 2003, the Housing Commission recommended approval of the proposed action.

IMPACT ON CURRENT PROJECT:

The proposed action will increase the supply of affordable senior housing in the County.

Respectfully submitted,

CARLOS JACKSON
Executive Director
Attachments: 8

RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$9,300,000 FOR THE PURPOSE OF MAKING A LOAN TO PROVIDE FINANCING FOR A MULTIFAMILY RENTAL HOUSING PROJECT KNOWN AS CASTAIC SENIOR APARTMENTS, DETERMINING AND PRESCRIBING CERTAIN MATTERS RELATING THERETO, AND APPROVING AND AUTHORIZING THE EXECUTION OF RELATED DOCUMENTS, AGREEMENTS AND ACTIONS.

____ WHEREAS, the Housing Authority of the County of Los Angeles (“the Authority”) is authorized and empowered by the provisions of Section 34312.3 of the Health and Safety Code of the State of California (the “Act”) to issue and sell revenue bonds for the purpose of making loans or otherwise providing funds to finance the acquisition and construction of multifamily residential rental housing projects, including units for households meeting the income limits set forth in the Act; and

____ WHEREAS, there has been prepared and presented to this Board for consideration at this meeting the documentation required for the issuance of bonds for the financing of the Castaic Senior Apartments Project (the “Project”); and

WHEREAS, it appears that each of the documents and instruments above referred to which are now before this meeting is in appropriate form and is an appropriate instrument to be executed and delivered for the purposes intended;

NOW, THEREFORE, BE IT RESOLVED, by the Board of Commissioners of the Housing Authority of the County of Los Angeles, as follows:

1. It is hereby found and determined that it is necessary and desirable for the Authority to provide financing for the Project through the issuance and sale of the Bonds (as hereinafter defined) in order to assist in the acquisition and development of the type of dwelling units provided by the Project.

____ 2. For the purpose of raising moneys with which to effectuate financing for the Project, the Authority hereby determines to issue its Variable Rate Demand Multifamily Housing Revenue Bonds (Castaic Senior Apartments Project), Series 2003C, in one or more series, each with an appropriate series designation (the “Bonds”), in an aggregate principal amount not to exceed \$9,300,000. The Bonds shall bear interest at the interest rates set forth in or determined in accordance with an indenture of trust (the “Indenture”), maturing as provided in the Indenture, but not later than 35 years from the date of issue. The Bonds shall be in substantially the form set forth in the Indenture, with such appropriate variations, omissions, insertions and

provisions as are permitted or required by the Indenture, which shall be appropriately completed when the Bonds are prepared.

The Bonds shall be limited obligations of the Authority payable solely from the revenues, receipts and other moneys pledged therefor under the Indenture.

3. The Bonds shall be executed on behalf of the Authority by the manual or facsimile signature of the Chair of this Board and attested with the manual or facsimile signature of the Executive Officer-Clerk of this Board.

4. The proposed form of trust indenture (the "Indenture"), in the form presented to this meeting, is hereby approved. The Chair of this Board and the Executive Director of the Authority are each hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Indenture, in substantially said form, with such additions thereto or changes therein as such officer may approve or recommend upon consultation with counsel to the Authority and Bond Counsel to the Authority (provided that such additions or changes shall not authorize an aggregate principal amount of Bonds in excess of the amount stated above or result in an initial interest rate on the Bonds in excess of 7%), the approval of such additions or changes to be evidenced conclusively by the execution and delivery of the Indenture. The date, maturity dates, interest rate or rates, interest payment dates, denominations, form, registration privileges, manner of execution, place of payment, terms of redemption and other terms of the bonds shall be as provided in the Indenture as finally executed.

5. The proposed form of financing agreement (the "Financing Agreement") in the form presented to this meeting, is hereby approved. The Chair of this Board and the Executive Director of the Authority are each hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Financing Agreement, with such additions or changes in said document as such officer may recommend or approve upon consultation with counsel to the Authority and Bond Counsel to the Authority, the approval of such additions or changes to be evidenced conclusively by the execution and delivery of the Financing Agreement.

6. The proposed form of regulatory agreement (the "Regulatory Agreement") in the form presented to this meeting, is hereby approved. The Chair of this Board and the Executive Director of the Authority are each hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Regulatory Agreement, with such additions or changes in said document as such officer may recommend or approve upon consultation with counsel to the Authority and Bond Counsel to the Authority, the approval of such additions or changes to be evidenced conclusively by the execution and delivery of the Regulatory Agreement.

7. The proposed form of assignment and intercreditor agreement (the "Assignment and Intercreditor Agreement") in the form presented to this meeting, is hereby approved. The Executive Director of the Authority is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Assignment and Intercreditor Agreement, with such additions or changes in said document as such officer may recommend or approve upon consultation with counsel to the Authority and Bond Counsel to the Authority, the approval of such additions or changes to be evidenced conclusively by the execution and delivery of the Assignment and Intercreditor Agreement.

8. The proposed form of bond purchase agreement (the "Bond Purchase Agreement") in the form presented to this meeting, is hereby approved. The Executive Director of the Authority is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Bond Purchase Agreement, with such additions or changes in said document as such officer may recommend or approve upon consultation with counsel to the Authority and Bond Counsel to the Authority, the approval of such additions or changes to be evidenced conclusively by the execution and delivery of the Bond Purchase Agreement; provided, however, the underwriters' discount (exclusive of original issue discount) shall not exceed 1% of the initial principal amount of the Bonds.

9. The proposed form of Official Statement relating to the Bonds (the "Official Statement"), in the form presented to this meeting, is hereby approved with such changes, additions and corrections as the Executive Director of the Authority, upon consultation with counsel to the Authority and Bond Counsel to the Authority, may hereafter approve, and the underwriter of the Bonds (the "Underwriter") is hereby authorized to distribute copies of such Official Statement in preliminary form to persons who may be interested in purchasing the Bonds. The Executive Director of the Authority is hereby authorized to certify to the Underwriter, on behalf of the Authority, that the preliminary form of the Official Statement was deemed final as of its date within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (except for the omission of certain final pricing, rating and related information as permitted by said rule). The Executive Director of the Authority is hereby authorized and directed to sign said Official Statement in its final form, including the final pricing information, and the Underwriter is hereby authorized and directed to deliver copies of such Official Statement in final form to the purchasers of the Bonds.

10. This Board hereby appoints the Executive Director of the Authority or his or her designee as administrator/manager with respect to the Project and other matters arising in connection with the Bonds (the "Administrator").

11. All consents, approvals, notices, orders, requests and other actions permitted or required by any of the documents authorized by this resolution, whether before or after the issuance of the Bonds, including without limitation any of the foregoing which may be necessary or desirable in connection with any default under or amendment of such documents, any transfer or other disposition of the Project or any

redemption of the Bonds, may be given or taken by the Administrator without further authorization by this Board, and the Administrator is hereby authorized and directed to give any such consent, approval, notice, order or request and to take any such action which such officer may deem necessary or desirable to further the purposes of this resolution.

12. All actions heretofore taken by the officers and agents of the Authority with respect to the sale and issuance of the Bonds are hereby approved, confirmed and ratified, and the proper officers of the Authority are hereby authorized and directed, for and in the name and on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, including but not limited to those described in the Indenture and the other documents herein approved, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds and to effectuate the purposes thereof and of the documents herein approved in accordance with this resolution and resolutions heretofore adopted by the Authority.

13. All resolutions or parts thereto in conflict herewith are, to the extent of such conflict, hereby repealed.

This resolution shall take effect upon its adoption.

APPROVED AND ADOPTED this 3rd day of June, 2003.

By _____
Chair of the
Board of Commissioners

ATTEST:
Violet Varona-Lukens
Executive Officer-Clerk
of the Board of Commissioners

By _____
Deputy

APPROVED AS TO FORM:
LLOYD W. PELLMAN
County Counsel

By _____

Deputy

TRUST INDENTURE

between

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES,

and

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Relating to

\$9,300,000

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES
VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS
(CASTAIC SENIOR APARTMENTS PROJECT), SERIES 2003C

JUNE 1, 2003

TRUST INDENTURE

This **TRUST INDENTURE**, dated as of **June 1, 2003** (“**Indenture**”), is by **THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES**, a public body corporate and politic (together with its successors and assigns, “**Issuer**”), and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association duly organized and existing under and by virtue of the laws of the United States of America (together with its permitted successors and assigns, “**Trustee**”).

**The meaning of capitalized terms can be determined
by reference to Article I of this Indenture.**

RECITALS

- A.** The Issuer is authorized by the Act to issue revenue bonds for the purpose of financing the development of multifamily rental housing for persons of low and moderate income.
- B.** The Borrower has requested that the Issuer provide financing for the Mortgaged Property owned by the Borrower by issuing the Bonds and by using the Net Bond Proceeds to fund the Loan to the Borrower and the Borrower has agreed to secure the Loan by placing the Security Instrument on the Mortgaged Property.
- C.** The Issuer has determined that the issuance and sale of the Bonds and the application of the Net Bond Proceeds to fund the Loan will facilitate the financing of the Mortgaged Property and will accomplish a valid public purpose of the Issuer.
- D.** The Issuer has, pursuant to the Act and Resolution No. ____ of the Board of Commissioners of the Issuer adopted June 3, 2003, authorized (i) the issuance of the Bonds in the Principal Amount for the purpose of providing financing for the Mortgaged Property, (ii) the execution and delivery of this Indenture to establish the terms of the Bonds and the security for the Bonds and (iii) the execution and delivery of the Financing Agreement to establish certain terms and conditions of the Loan.
- E.** By executing this Indenture, the Issuer is directing the deposit of the Net Bond Proceeds with the Trustee, to be used by the Trustee to fund the Loan to the Borrower. The proceeds of the Loan will be applied, together with other funds, to the financing of the Mortgaged Property.
- F.** The Issuer, the Trustee and the Borrower are concurrently entering into the Financing Agreement.
- G.** The Loan will be (i) made by the Issuer pursuant to the Financing Agreement, (ii) evidenced by the Note, (iii) secured by the Security Instrument and (iv) otherwise documented, evidenced and secured by the other Loan Documents.
- H.** Fannie Mae has agreed, subject to the satisfaction of certain conditions, to facilitate the financing of the Mortgaged Property by providing credit enhancement and liquidity support for the Bonds pursuant to the Credit Facility.
- I.** Pursuant to the Assignment, the Issuer will assign and deliver all of its right, title and interest in and to the Loan, including the Note, the Security Instrument and the other Loan Documents, to the Trustee and the Credit Provider, as their interests may appear.
- J.** The operation of the Mortgaged Property will be subject to the Regulatory Agreement.

K. The Issuer has determined that all things necessary to make the Bonds, when executed by the Issuer and authenticated by the Trustee and issued in accordance with this Indenture, the valid, binding and legal special and limited obligations of the Issuer and to constitute this Indenture a valid assignment and pledge of the Trust Estate as security for the payment of the principal of and interest and any premium on, the Bonds, have been done, and the creation, execution and delivery of this Indenture and the creation, execution and delivery of the Bonds, subject to the terms of this Indenture, have been duly authorized by the Issuer.

L. The Trustee has trust powers and the power and authority to enter into this Indenture, to accept trusts generally and to accept and execute the trust created by this Indenture; the Trustee has accepted the trust so created, and to evidence such acceptance, has joined in the execution of this Indenture.

GRANTING CLAUSES

To secure the payment of the principal of and interest and any premium on, and the purchase price of, the Bonds according to their tenor and effect, to secure, on a parity basis, all obligations owed to the Credit Provider under the Credit Facility Documents and the Loan Documents, and to secure the performance and observance by the Issuer of the covenants expressed or implied in this Indenture and in the Bonds, the Issuer absolutely and irrevocably pledges and assigns the property described in the following paragraphs (1) through (5) to the Trustee for the benefit of the Bondholders and to the Credit Provider, as their interests may appear, subject to the Assignment and the provisions of this Indenture permitting the application of such property for the purposes set forth in this Indenture:

(1) all right, title and interest of the Issuer in and to the Loan, including the Note, the Security Instrument and the other Loan Documents and in and to the Financing Agreement, reserving, however, the Reserved Rights;

(2) all rights to receive payments on the Note and under the other Loan Documents, including all proceeds of insurance or condemnation awards;

(3) all right, title and interest of the Issuer in and to the Revenues, the Net Bond Proceeds and the accrued interest, if any, derived from the sale of the Bonds, and all Funds and Accounts under this Indenture (including, without limitation, moneys, documents, securities, investments, Investment Income, instruments and general intangibles on deposit or otherwise held by the Trustee) but excluding all moneys in the Fees Account, the Rebate Fund and the Costs of Issuance Fund (including within such exclusion Investment Income retained in the Costs of Issuance Fund and the Rebate Fund);

(4) all funds, moneys and securities and any and all other rights and interests in property, whether tangible or intangible, from time to time conveyed, mortgaged, pledged, assigned or transferred by delivery or by writing of any kind to the Trustee as additional security under this Indenture for the benefit of the Bondholders and the Credit Provider; and

(5) all of the proceeds of the foregoing, including, without limitation, Investments and Investment Income (except as excluded above);

TO HAVE AND TO HOLD unto the Trustee and the Credit Provider, as their interests may appear;

IN TRUST, NEVERTHELESS, upon the terms set forth in this Indenture for the equal and proportionate benefit, security and protection of (i) all Registered Owners of the Bonds, without privilege, priority or distinction as to the lien or otherwise of any of the Bonds over any of the

other Bonds and (ii) the Credit Provider to secure the payment of all amounts owed to the Credit Provider under the Credit Facility Documents;

PROVIDED, FURTHER, HOWEVER, that if the Issuer or its successors or assigns pay or cause to be paid to the Registered Owners of the Bonds the principal of and interest and any premium to become due on the Bonds at the times and in the manner provided in this Indenture, and if no amount is owing by the Borrower to the Issuer or the Trustee under the Financing Agreement or to the Credit Provider under the Credit Facility Documents, and if the Issuer keeps, performs and observes, or causes to be kept, performed and observed, all of its covenants, warranties and agreements contained in this Indenture, this Indenture and the estate and rights granted by this Indenture shall terminate and be discharged in accordance with its terms, upon which termination the Trustee shall execute and deliver to the Issuer such instruments in writing as shall be necessary to satisfy the lien of this Indenture, and, in accordance with Article IX, shall reconvey to the Issuer any property at the time subject to the lien of this Indenture which may then be in the Trustee's possession, except amounts held by the Trustee for the payment of principal of and interest and any premium on the Bonds, or moneys held in the Rebate Fund for payment to the United States Government or moneys held in the Fees Account for the payment of accrued and unpaid Third Party Fees and Fees and Expenses; otherwise this Indenture shall be and remain in full force and effect, upon the trusts and subject to the covenants and conditions set forth in this Indenture; and

FINALLY, all Bonds issued and secured under this Indenture are to be issued, authenticated and delivered, and all property, rights and interests, including, but not limited to, the amounts payable under the Financing Agreement and any other amounts assigned and pledged by this Indenture are to be dealt with and disposed of under, upon and subject to, the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes expressed in this Indenture, and the Issuer has agreed and covenanted, and agrees and covenants with the Trustee and with the Registered Owners of the Bonds as set forth in this Indenture.

ARTICLE I DEFINITIONS AND INTERPRETATION

SECTION 1.1 Definitions. All capitalized terms used in this Indenture have the meanings given to those terms in this Section 1.1 or elsewhere in this Indenture unless the context clearly indicates a different meaning.

“Account” means an account established within a Fund.

“Act” means Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California.

“Act of Bankruptcy” means any proceeding instituted under the Bankruptcy Code or other applicable insolvency law by or against the Issuer.

“Adjustment Date” means any date on which the interest rate on the Bonds is adjusted to a different Mode or to a different Reset Rate. An Adjustment Date may only occur on an Interest Payment Date or, if such date is not a Business Day, the following Business Day. Any Reset Date and the Fixed Rate Adjustment Date are Adjustment Dates.

“Advance” means an advance made under the Credit Facility.

“Affiliate” as applied to any person, means any other person directly or indirectly controlling, controlled by, or under common control with, that person. For the purposes of this definition, “control” (including with correlative meanings, the terms “controlling”, “controlled by” and “under common control with”), as applied to any person, means the possession, directly or

indirectly, of the power to direct or cause the direction of the management and policies of that person, whether through the ownership of voting securities, partnership interests or by contract or otherwise.

“Alternate Credit Facility” means a letter of credit (whether or not so named), surety bond, insurance policy, standby bond purchase agreement, credit enhancement instrument, collateral purchase agreement, mortgage backed security or similar agreement, instrument or facility (other than the initial Credit Facility) provided in accordance with Section 8.4 of this Agreement.

“Alternate Credit Provider” means the provider of an Alternate Credit Facility.

“as their interests may appear” or **“as its interest may appear”** means, with reference to any of the Assigned Rights, the respective interests, exclusive of the Reserved Rights of the Issuer, of Fannie Mae and of the Trustee to such documents and rights as set forth in the Assignment.

“Assigned Rights” has the meaning given to that term in the Assignment.

“” means the Assignment and Intercreditor Agreement, dated as of the date of this Indenture, among the Issuer, the Trustee and Fannie Mae, and acknowledged and agreed to by the Borrower, as it may be amended, supplemented or restated from time to time.

“Authorized Attesting Officer” means the Executive Officer-Clerk of the Issuer, or such other officer or official of the Issuer who, in accordance with the laws of the State, the bylaws or other governing documents of the Issuer, or practice or custom, regularly attests or certifies official acts and records of the Issuer, and includes any assistant or deputy officer to the principal officer or officers exercising such responsibilities.

“Authorized Borrower Representative” means any person who, at any time and from time to time, is designated as the Borrower’s authorized representative by written certificate furnished to the Issuer, the Loan Servicer, the Construction Lender, the Credit Provider and the Trustee containing the specimen signature of such person and signed on behalf of the Borrower by or on behalf of any authorized general partner of the Borrower if the Borrower is a general or limited partnership, by any authorized managing member of the Borrower if the Borrower is a limited liability company, or by any authorized officer of the Borrower if the Borrower is a corporation, which certificate may designate an alternate or alternates. The Trustee may conclusively presume that a person designated in a written certificate filed with it as an Authorized Borrower Representative is an Authorized Borrower Representative until such time as the Borrower files with it (with a copy to the Issuer, the Loan Servicer, the Construction Lender and the Credit Provider) a written certificate revoking such person’s authority to act in such capacity.

“Authorized Construction Lender Representative” means any person from time to time designated to act on behalf of the Construction Lender by written certificate furnished to the Trustee and the Issuer containing the specimen signature of such person and authorized to act by resolution or other appropriate action of the Board of Directors of the Construction Lender or by its bylaws. Such resolution or other appropriate action may designate an alternate or alternates who shall have the same authority, duties and powers as the Authorized Construction Lender Representative. The Trustee may conclusively presume that a person designated in a written certificate filed with it as an Authorized Construction Lender Representative is an Authorized Construction Lender Representative until such time as such provider files with it and with the Issuer, the Loan Servicer and the Credit Provider a written certificate identifying a different person or persons to act in such capacity.

“Authorized Denomination” means, (i) during any Weekly Variable Rate Period, \$100,000 or any integral multiple of \$5,000 in excess of \$100,000, and (ii) during any Reset Period or the Fixed Rate Period, \$5,000 or any integral multiple of \$5,000.

“Authorized Officer” means the chairperson, vice chairperson, secretary and any other officer or employee of the Issuer designated by certificate of any of the foregoing as authorized by the Issuer to perform a specified act, sign a specified document or otherwise take action with respect to the Bonds.

“Available Moneys” means, as of any date of determination, any of (i) the proceeds of the Bonds, (ii) remarketing proceeds received from the Remarketing Agent or any purchaser of Bonds (other than funds provided by the Borrower, the Issuer, any Affiliate of either the Borrower or the Issuer or any guarantor of the Loan), (iii) moneys received by the Trustee pursuant to the Credit Facility, (iv) any other amounts, including the proceeds of refunding bonds, for which, in each case, the Trustee has received an Opinion of Counsel acceptable to each Rating Agency to the effect that the use of such amounts to make payments on the Bonds would not violate Section 362(a) of the Bankruptcy Code (or that relief from the automatic stay provisions of such Section 362(a) would be available from the bankruptcy court) or be avoidable as preferential payments under Section 544, 547 or 550 of the Bankruptcy Code should the Issuer or the Borrower become a debtor in proceedings commenced under the Bankruptcy Code; and (v) Investment Income derived from the investment of moneys described in clause (i), (ii), (iii) or (iv).

“Bankruptcy Code” means Title 11 of the United States Code entitled “Bankruptcy,” as in effect now and in the future, or any successor statute.

“Beneficial Owner” means, for any Bond which is held by a nominee, the beneficial owner of such Bond.

“BMA Index Rate” means the rate published in The Bond Market Association Municipal Swap Index, produced by Municipal Market Data, a Thomson Financial Services Company, or its successors.

“Bond” or **“Bonds”** means the Issuer’s Variable Rate Demand Multifamily Housing Revenue Bonds (Castaic Senior Apartments Project), Series 2003C in the original aggregate principal amount of \$9,300,000.

“Bond Counsel” means (i) on the Closing Date, the law firm or law firms delivering the approving opinion(s) with respect to the Bonds or (ii) after the Closing Date, any law firm selected by the Issuer and acceptable to the Credit Provider, of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of the interest payable on bonds issued by states and political subdivisions.

“Bond Documents” means the Assignment, the Bonds, the Bond Purchase Agreement, the Credit Facility, the Financing Agreement, this Indenture, the Regulatory Agreement (and any other agreement relating to rental restrictions on the Mortgaged Property), the Remarketing Agreement, the Tax Certificate, any Tender Agent Agreement, and all other documents, instruments and agreements executed and delivered in connection with the issuance, sale, delivery and/or remarketing of the Bonds, as each such agreement or instrument may be amended, supplemented or restated from time to time. Any Forward Commitment Deposit Fee Instrument (as that term is defined in the Reimbursement Agreement) is not a Bond Document.

“Bond Purchase Agreement” means the Bond Purchase Agreement, dated as of June __, 2003, among the Underwriter, the Issuer and the Borrower.

“Bond Purchase Fund” means the Bond Purchase Fund created by Section 5.1.

“Bond Register” means the Bond Register maintained by the Trustee pursuant to Section 2.16.

“Bond Resolution” means the resolution adopted by the Issuer on June 3, 2003, authorizing and approving the issuance and sale of the Bonds and the execution and delivery of this Indenture,

the Assignment, the Bond Purchase Agreement, the Financing Agreement, the Loan Documents, the Regulatory Agreement, the Tax Certificate and certain other documents, making certain appointments and determining certain details with respect to the Bonds.

“Bondholder,” “holder,” “Owner,” “owner,” “Registered Owner” or “registered owner” means, with respect to any Bond, the owner of the Bond as shown on the Bond Register.

“Bondholder Tender Notice” means a written notice meeting the requirements of Section 4.1(a).

“Book-Entry Bonds” means that part of the Bonds for which a Securities Depository or its nominee is the Bondholder.

“Book-Entry System” means an electronic system in which the clearance and settlement of securities transactions is made through electronic book-entry changes.

“Borrower” means Castaic Senior Communities, L.P., a California limited partnership, its successor and assigns.

“Borrower Default” means a “Borrower Default” as defined under the Construction Phase Financing Agreement.

“Borrower Documents” means the Bond Documents to which the Borrower is a party, the Credit Facility Documents to which the Borrower is a party, the Construction Phase Credit Documents to which the Borrower is a party and the Loan Documents and all other documents to which the Borrower is a party and which are being executed and delivered by the Borrower in connection with the transactions provided for in the Bond Documents, the Loan Documents and the Credit Facility Documents. Any Forward Commitment Deposit Fee Instrument (as that term is defined in the Reimbursement Supplemental Agreement) is not a Borrower Document.

“Business Day” means any day other than (i) a Saturday or a Sunday, (ii) any day on which banking institutions located in the City of New York, New York are required or authorized by law or executive order to close, (iii) any day on which banking institutions located in the city or cities in which the Designated Office of the Trustee or the Remarketing Agent is located are required or authorized by law or executive order to close, (iv) prior to the Fixed Rate Adjustment Date, a day on which the New York Stock Exchange is closed, (v) on or after the Conversion Date, a day on which banking institutions located in the city in which the Designated Office of the Loan Servicer is located are required or authorized by law or executive order to close or (vi) so long as a Credit Facility is in effect, any day on which the Credit Provider is closed.

“Capitalized Moneys Account” means the Capitalized Moneys Account of the Loan Fund.

“Certificate of Borrower” means the Certificate of Borrower dated the Closing Date, as it may be amended, supplemented or restated from time to time.

“Closing Date” means the date on which the Bonds are issued and delivered to or upon the order of the Underwriter.

“Code” means the Internal Revenue Code of 1986, as amended; each reference to the Code is deemed to include (i) any successor internal revenue law and (ii) the applicable regulations whether final, temporary or proposed under the Code or such successor law. Any reference to a particular provision of the Code is deemed to include any successor provision of any successor internal revenue law and applicable regulations whether final, temporary or proposed under such provision or successor provision.

“Conditional Redemption” means a redemption where the Trustee has stated in the notice of redemption that the redemption is conditioned upon deposit of funds as further described in Section 3.4.

“Conditions to Conversion” has the meaning given to that term in the Construction Phase Financing Agreement.

“Construction Lender” means, U.S. Bank National Association subject to Section 8.10(c) which provides for the termination of all references to the Construction Lender from and after the Conversion Date.

“Construction Phase” has the meaning given to that term in the Construction Phase Financing Agreement.

“Construction Phase Credit Documents” means, individually and collectively, the Construction Phase Financing Agreement, the Letter of Credit, the Construction Phase Reimbursement Agreement, the Construction Phase Loan Agreement and all other documents evidencing, securing or otherwise relating to the Letter of Credit, including all amendments, modifications, supplements and restatements of such documents.

“Construction Phase Reimbursement Agreement” means the Reimbursement Agreement, dated as of June 1, 2003, between the Borrower and the Construction Lender, as such agreement may be amended, modified, supplemented or restated from time to time.

“Construction Phase Financing Agreement” means the Construction Phase Financing Agreement, dated as of June 1, 2003, among the Credit Provider, the Loan Servicer and the Construction Lender, as such agreement may be amended, modified, supplemented or restated from time to time.

“Construction Phase Loan Agreement” means the Construction Agreement, between the Construction Lender and the Borrower, as such agreement may be amended, modified, supplemented or restated from time to time.

“Conversion” means the conversion of the Loan from the Construction Phase to the Permanent Phase.

“Conversion Date” means the date of the Conversion of the Loan pursuant to the Construction Phase Financing Agreement.

“Conversion Notice” means a written notice by the Loan Servicer to the Issuer, the Trustee, the Borrower, the Construction Lender and the Credit Provider given on or before the Termination Date (a) stating that each of the Conditions to Conversion has been satisfied on or before the Termination Date or, if any Condition to Conversion has not been satisfied on or before the Termination Date, has been waived in writing by the Credit Provider on or before the Termination Date, (b) specifying the Conversion Date, and (c) providing the Schedule of Deposits to Principal Reserve Fund to be attached as an Exhibit to the Reimbursement Agreement.

“Costs of Issuance” means:

(a) the fees, costs and expenses of (i) the Issuer, the Issuer’s counsel and the Issuer’s financial advisor, if any, (ii) the Underwriter (including discounts to the Underwriter or other purchasers of the Bonds, other than original issue discount, incurred in the issuance and sale of the Bonds) and the Underwriter’s counsel, (iii) Bond Counsel, (iv) the Trustee and the Trustee’s counsel, (v) the Loan Servicer and the Loan Servicer’s counsel, if any, (vi) the Credit Provider and the Credit Provider’s counsel, (vii) the Borrower’s counsel and the Borrower’s financial advisor, if any, (viii) the Rating Agency, and (ix) the Construction Lender and the Construction Lender’s counsel;

(b) costs of printing the offering documents relating to the sale of the Bonds; and

(c) all other fees, costs and expenses directly associated with the authorization, issuance, sale and delivery of the Bonds, including printing costs, costs of reproducing documents, filing and

recording fees, and any fees, costs and expenses required to be paid to the Loan Servicer in connection with the origination of the Loan.

“Costs of Issuance Deposit” means the deposit in the amount of \$_____ to be made by the Borrower with the Trustee on the Closing Date to pay Costs of Issuance.

“Costs of Issuance Fund” means the Costs of Issuance Fund created by Section 5.1.

“Costs of the Project” means the costs chargeable to the Mortgaged Property in accordance with generally accepted accounting principles, including, but not limited to, the costs of acquisition, construction, rehabilitation, reconstruction, restoration, repair, alteration, improvement and extension (in any of such events, “construction”) of any building, structure, facility or other improvement; stored materials for work in progress; the cost of machinery and equipment; the cost of the “Land” (as that term is defined in the Security Instrument), rights-in-lands, easements, privileges, agreements, franchises, utility extensions, disposal facilities, access roads and site development necessary or useful and convenient for the Mortgaged Property; financing costs, including, but not limited to, the Costs of Issuance, engineering and inspection costs; fees paid to the developer of the Mortgaged Property; organization, administrative, insurance, legal, operating, letter of credit and other expenses of the Borrower actually incurred prior to and during construction; and all such other expenses as may be necessary or incidental to the financing, acquisition, construction or completion of the Mortgaged Property or any part of it, including, but not limited to, the amount of interest expense incurred with respect to the Loan prior to the date the Mortgaged Property is placed in service; insurance premiums payable by the Borrower and taxes and other governmental charges levied on the Mortgaged Property.

“Credit Facility” means the Credit Enhancement Instrument, dated the Closing Date, issued by Fannie Mae to the Trustee, or any Alternate Credit Facility in effect at the time, as any such facility may be amended, supplemented or restated from time to time.

“Credit Facility Account” means the Credit Facility Account of the Revenue Fund.

“Credit Facility Documents” means the Reimbursement Agreement, the Certificate of Borrower, all Collateral Agreements (as that term is defined in the Security Instrument), the Construction Phase Financing Agreement, the Hedge Documents, the Hedge Security Agreement, the Hedge Reserve Escrow Account Security Agreement, the Operating Reserve and Security Agreement, the Pledge Agreement and all other agreements and documents securing the Credit Provider or otherwise relating to the provision of the Credit Facility, as any such agreement may be amended, supplemented or restated from time to time. Any Forward Commitment Deposit Fee Instrument (as that term is defined in the Reimbursement Agreement) is not a Credit Facility Document.

“Credit Provider” means, so long as the initial Credit Facility is in effect, Fannie Mae, or so long as any Alternate Credit Facility is in effect, the Alternate Credit Provider then obligated under the Alternate Credit Facility.

“Custodian” means the custodian under the Pledge Agreement.

“Designated Office” of the Trustee, the Tender Agent, the Remarketing Agent or the Loan Servicer means, respectively, the office of the Trustee, the Tender Agent, the Remarketing Agent or the Loan Servicer at the respective address set forth in Section 13.4 or at such other address as may be specified in writing by the Trustee, the Tender Agent, the Remarketing Agent or the Loan Servicer, as applicable, as provided in Section 13.4.

“DTC” means The Depository Trust Company and any successor to it or any nominee of it.

“DTC Participant” has the meaning given to that term in Section 2.15(b).

“Electronic Means” means a facsimile transmission or any other electronic means of communication approved in writing by the Credit Provider.

“Event of Default” means, as used in any Transaction Document, any event described in that document as an Event of Default. Any “Event of Default” as described in any Transaction Document is not an “Event of Default” in any other Transaction Document unless that other Transaction Document specifically so provides.

“Extension Date” means, with respect to an Alternate Credit Facility, the date which is five Business Days prior to the expiration date of the Alternate Credit Facility.

“Extraordinary Items” means, with respect to the Trustee, reasonable compensation for extraordinary services and/or reimbursement for reasonable extraordinary costs and expenses, including the fees and expenses of its counsel.

“Facility Fee” means the monthly fee owed to the Credit Provider by the Borrower pursuant to the Reimbursement Agreement, which during the Construction Phase is \$_____ based on conditions in effect as of the Closing Date.

“Fannie Mae” means Fannie Mae, a corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C., § 1716 et seq., and its successors and assigns.

“Fees Account” means the Fees Account of the Revenue Fund.

“Fees and Expenses” means the fees, advances, out-of-pocket expenses, costs and other charges payable by the Borrower from time to time pursuant to Section 2.5(c) of the Financing Agreement.

“Financing Agreement” means the Financing Agreement, dated as of the date of this Indenture, among the Issuer, the Trustee and the Borrower, as amended, supplemented or restated from time to time.

“Fixed Rate” means the rate of interest borne by the Bonds as determined in accordance with Section 2.7.

“Fixed Rate Adjustment Date” means the date on which the interest rate on the Bonds adjusts from the Weekly Variable Rate or a Reset Rate to the Fixed Rate pursuant to Section 2.8.

“Fixed Rate Period” means the period beginning on the Fixed Rate Adjustment Date and ending on the Maturity Date.

“Fund” means any fund created by Section 5.1.

“General Partners” means Santa Clarita Valley Committee on Aging Corporation, a California non profit public benefit corporation, and Castaic Senior Communities LLC, a California limited liability company, the general partners of the Borrower.

“Government Obligations” means direct obligations of, and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by, the full faith and credit of the United States of America.

“Hedge Documents” has the meaning given that term in the Hedge Security Agreement.

“Hedge Reserve Escrow Account Security Agreement” means the Hedge Reserve Escrow Account Security Agreement dated as of the date hereof among the Borrower, the Loan Servicer and Fannie Mae, as amended, supplemented or restated from time to time.

“Hedge Security Agreement” means the Hedge Security Agreement dated as of the date hereof among the Borrower, the Loan Servicer and Fannie Mae.

“Highest Rating Category” has the meaning, with respect to an Investment, given in this definition. If the Bonds are rated by a Rating Agency, the term “Highest Rating Category” means, with respect to an Investment, that the Investment is rated by each Rating Agency in the

highest rating given by that Rating Agency for that general category of security. If at any time the Bonds are not rated (and, consequently, there is no Rating Agency), then the term “Highest Rating Category” means, with respect to an Investment, that the Investment is rated by S&P or Moody’s in the highest rating given by that rating agency for that general category of security. By way of example, the Highest Rating Category for tax-exempt municipal debt established by S&P is “A-1+” for debt with a term of one year or less and “AAA” for a term greater than one year, with corresponding ratings by Moody’s of “MIG-1” (for fixed rate) or “VMIG-1” (for variable rate) for one year or less and “Aaa” for greater than one year. If at any time (i) the Bonds are not rated, (ii) both S&P and Moody’s rate an Investment and (iii) one of those ratings is below the Highest Rating Category, then such Investment will, nevertheless, be deemed to be rated in the Highest Rating Category if the lower rating is no more than one rating category below the highest rating category of that rating agency. For example, an Investment rated “AAA” by S&P and “Aa3” by Moody’s is rated in the Highest Rating Category. If, however, the lower rating is more than one full rating category below the Highest Rating Category of that rating agency, then the Investment will be deemed to be rated below the Highest Rating Category. For example, an Investment rated “AAA” by S&P and “A1” by Moody’s is not rated in the Highest Rating Category.

“**Indenture**” means this Trust Indenture, as amended, supplemented or restated from time to time.

“**Interest Account**” means the Interest Account of the Revenue Fund.

“**Interest Payment Date**” means (i) during any Weekly Variable Rate Period, the 15th day of each calendar month commencing July 15, 2003; (ii) during any Reset Period and during the Fixed Rate Period each June 15 and December 15 following the Adjustment Date, provided that the first Interest Payment Date during any such period may only occur on a date which is at least 30 days after the Adjustment Date; (iii) each Adjustment Date; (iv) for Bonds subject to redemption in whole or in part on any date, the date of such redemption, (v) the Maturity Date and (vi) for all Bonds any date determined pursuant to Section 10.10(c).

“**Interest Requirement**” means (i) during the Weekly Variable Rate Period, 35 days interest on the Bonds at the Maximum Rate on the basis of a 365-or 366-day year, as applicable, for the actual number of days elapsed, and (ii) during a Reset Period or the Fixed Rate Period, 210 days interest at, respectively, the Reset Rate or the Fixed Rate, as the case may be, on the basis of a year of 360 days of twelve 30-day months; or, in the case of either (i) or (ii), such other number of days as may be required by the Rating Agency.

“**Investment**” means any Permitted Investment and any other investment held under this Indenture that does not constitute a Permitted Investment.

“**Investment Agreement**” means a Permitted Investment described in paragraph (g) of the definition of the term “Permitted Investments.”

“**Investment Income**” means the earnings, profits and accreted value derived from the investment of moneys pursuant to Article VI.

“**Issuer**” means The Housing Authority of the County of Los Angeles, a public body corporate and politic, and its successors and assigns.

“**Issuer Documents**” means the Assignment, the Bonds, Financing Agreement, the Indenture, the Loan Documents to which the Issuer is a party, the Regulatory Agreement and the Tax Certificate.

“**Issuer’s Fee**” means the Issuer’s annual fee payable by the Borrower under the Financing Agreement.

“Letter of Credit” means, individually or collectively, as the context may require, the letter of credit to be issued and delivered by or on behalf of the Construction Lender pursuant to, and which satisfies all requirements of, the Construction Phase Financing Agreement, any amendment to the letter of credit and any replacement letter of credit, and any confirmation of the Letter of Credit issued and delivered in accordance with the Construction Phase Financing Agreement.

“Letter of Representations” means when all the Bonds are Book-Entry Bonds, the Letter of Representations executed by the Issuer and the Trustee, separately or jointly, and delivered to the Securities Depository, as amended, supplemented or restated from time to time, or any agreement entered into in substitution therefor.

“Loan” means the loan made by the Issuer to the Borrower pursuant to the Financing Agreement for the purpose of providing funds to the Borrower to finance the acquisition of the Mortgaged Property.

“Loan Documents” means, collectively, the Note, the Security Instrument and all other documents, agreements and instruments evidencing, securing or otherwise relating to the Loan, as each such document, agreement or instrument may be amended, supplemented or restated from time to time. Neither the Financing Agreement nor the Regulatory Agreement is a Loan Document and neither document is secured by the Security Instrument.

“Loan Fund” means the Loan Fund created by Section 5.1.

“Loan Servicer” means the multifamily mortgage loan servicer designated from time to time by the Credit Provider.

“Mandatory Tender Date” means any date on which Bonds are required to be tendered pursuant to Section 4.2, including any Adjustment Date, Substitution Date, Extension Date or date specified by the Trustee as provided in Section 4.2(b).

“Maturity Date” means June 15, 2036 or in the event the Bonds are adjusted to the Fixed Rate Mode and a Sinking Fund Schedule is established, the maturity date of all serial Bonds, if any.

“Maximum Rate” means 12 percent per annum; provided, however, that the Maximum Rate may be increased if the Trustee receives (i) the written consent of the Credit Provider and the Borrower to a specified higher Maximum Rate not to exceed the lesser of the maximum rate permitted by law to be paid on the Bonds and the maximum rate chargeable on the Loan, (ii) an opinion of Bond Counsel to the effect that such higher Maximum Rate is permitted by law and will not adversely affect either the validity of the Bonds or the exclusion of the interest payable on the Bonds from gross income for federal income tax purposes, and (iii) a new or amended Credit Facility in an amount equal to the sum of (A) the then outstanding principal amount of the Bonds and (B) the new Interest Requirement calculated using the new Maximum Rate.

“Mode” means any of the Weekly Variable Rate, the Reset Rate and the Fixed Rate.

“Moody’s” means Moody’s Investors Service, Inc., a Delaware corporation, and its successors and assigns, or if it is dissolved or no longer assigns credit ratings, then any other nationally recognized statistical rating agency, designated by the Credit Provider, as assigns credit ratings.

“Mortgaged Property” means the real property described in the Security Instrument, together with all improvements, fixtures and personal property (to the extent of the Borrower’s interest therein) and located on such real property.

“Net Bond Proceeds” means the total proceeds derived from the issuance, sale and delivery of the Bonds, representing the total purchase price of the Bonds, including any premium paid as part of the purchase price of the Bonds, but excluding the accrued interest, if any, on the Bonds paid by the initial purchaser(s) of the Bonds.

“Note” means the Multifamily Note (together with all addenda thereto) dated as of June 1, 2003, executed by the Borrower in favor of the Issuer, as it may be amended, supplemented or restated from time to time or any mortgage note executed in substitution therefor in accordance with the Bond Documents, as such substitute note may be amended, supplemented or restated from time to time.

“Note Interest” has the meaning given to that term in the Note.

“Operating Reserve and Security Agreement” means the Operating Reserve and Security Agreement dated as of the date of this Indenture, among the Borrower, the Loan Servicer and the Credit Provider, as such agreement may be amended, supplemented or restated from time to time, or any agreement entered into in substitution therefor.

“Opinion of Counsel” means a written opinion of legal counsel, acceptable to the recipient(s) of such opinion. If the opinion is with respect to an interpretation of federal tax laws or regulations or bankruptcy matters, such legal counsel also must be an attorney or firm of attorneys experienced in such matters.

“Outstanding” means, when used with reference to the Bonds at any date as of which the amount of Outstanding Bonds is to be determined, all Bonds which have been authenticated and delivered under this Indenture except:

- (a) Bonds cancelled or delivered for cancellation at or prior to such date;
- (b) Bonds deemed to be paid in accordance with Article IX; and
- (c) Bonds in lieu of which others have been authenticated under Article II.

In determining whether the owners of a requisite aggregate principal amount of Outstanding Bonds have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions of this Indenture, Bonds which are owned or held by or for the account of the Borrower and Pledged Bonds will be disregarded and deemed not to be Outstanding under this Indenture for the purpose of any such determination unless all Bonds are Pledged Bonds, Bonds owned or held by or for the account of the Borrower or a combination of Pledged Bonds and Bonds owned by or held for the account of the Borrower. In determining whether the Trustee will be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which are registered in the name of or known by the Trustee to be held for the account of the Borrower, including Pledged Bonds, will be disregarded.

“Permitted Investments” means, to the extent authorized by law for investment of moneys of the Issuer:

- (a) Government Obligations.
- (b) Direct obligations of, and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by, any agency or instrumentality of the United States of America (other than the Federal Home Loan Mortgage Corporation) or direct obligations of the World Bank, which obligations are rated in the Highest Rating Category.
- (c) Obligations, in each case rated in the Highest Rating Category, of (i) any state or territory of the United States of America, (ii) any agency, instrumentality, authority or political subdivision of a state or territory or (iii) any public benefit or municipal corporation the principal of and interest on which are guaranteed by such state or political subdivision.
- (d) Any written repurchase agreement entered into with a Qualified Financial Institution whose unsecured short-term obligations are rated in the Highest Rating Category.
- (e) Commercial paper rated in the Highest Rating Category.

(f) Interest-bearing negotiable certificates of deposit, interest-bearing time deposits, interest-bearing savings accounts and bankers' acceptances, issued by a Qualified Financial Institution if either (A) the Qualified Financial Institution's unsecured short-term obligations are rated in the Highest Rating Category or (B) such deposits, accounts or acceptances are fully insured by the Federal Deposit Insurance Corporation.

(g) an agreement held by the Trustee for the investment of moneys at a guaranteed rate with (i) the Credit Provider or (ii) a Qualified Financial Institution whose unsecured long-term obligations are rated in the Highest Rating Category or the Second Highest Rating Category, or whose obligations are unconditionally guaranteed or insured by a Qualified Financial Institution whose unsecured long-term obligations are rated in the Highest Rating Category or Second Highest Rating Category; provided that such agreement is in a form acceptable to the Credit Provider; and provided further that such agreement includes the following restrictions:

(1) the invested funds will be available for withdrawal without penalty or premium, at any time that (A) the Trustee is required to pay moneys from the Fund(s) established under this Indenture to which the agreement is applicable, or (B) any Rating Agency indicates that it will lower or actually lowers, suspends or withdraws the rating on the Bonds on account of the rating of the Qualified Financial Institution providing, guaranteeing or insuring, as applicable, the agreement;

(2) the agreement, and if applicable the guarantee or insurance, is an unconditional and general obligation of the provider and, if applicable, the guarantor or insurer of the agreement, and ranks *pari passu* with all other unsecured unsubordinated obligations of the provider, and if applicable, the guarantor or insurer of the agreement;

(3) the Trustee receives an Opinion of Counsel, which may be subject to customary qualifications, that such agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and, if applicable, an Opinion of Counsel that any guaranty or insurance policy provided by a guarantor or insurer is legal, valid, binding and enforceable upon the guarantor or insurer in accordance with its terms; and

(4) the agreement provides that if during its term the rating of the Qualified Financial Institution providing, guaranteeing or insuring, as applicable, the agreement, is withdrawn, suspended by any Rating Agency or falls below the Second Highest Rating Category, the provider must, within 10 days, either: (A) collateralize the agreement (if the agreement is not already collateralized) with Permitted Investments described in paragraph (a) or (b) by depositing collateral with the Trustee or a third party custodian, such collateralization to be effected in a manner and in an amount sufficient to maintain the then current rating of the Bonds, or, if the agreement is already collateralized, increase the collateral with Permitted Investments described in paragraph (a) or (b) by depositing collateral with the Trustee or a third party custodian, so as to maintain the then current rating of the Bonds, (B) at the request of the Trustee or the Credit Provider, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium unless required by law or (C) transfer

the agreement, guarantee or insurance, as applicable, to a replacement provider, guarantor or insurer, as applicable, then meeting the requirements of a Qualified Financial Institution and whose unsecured long-term obligations are then rated in the Highest Rating Category or the Second Highest Rating Category. The agreement may provide that the down-graded provider may elect which of the remedies to the down-grade (other than the remedy set out in (B)) to perform.

Notwithstanding anything else in this Paragraph (g) to the contrary and with respect only to any agreement described in this Paragraph or any guarantee or insurance for any such agreement which is to be in effect for any period after the Conversion Date, any reference in this Paragraph to the “Second Highest Rating Category” will be deemed deleted so that the only acceptable rating category for such an agreement, guarantee or insurance will be the Highest Rating Category.

(h) Subject to the ratings requirements set forth in this definition, shares in any money market mutual fund (including those of the Trustee or any of its affiliates) registered under the Investment Company Act of 1940, as amended, that have been rated AAAM-G or AAAM by S&P or Aaa by Moody’s so long as the portfolio of such money market mutual fund is limited to Government Obligations and agreements to repurchase Government Obligations. If approved in writing by the Credit Provider, a money market mutual fund portfolio may also contain obligations and agreements to repurchase obligations described in paragraphs (b) or (c). If the Bonds are rated by a Rating Agency, the money market mutual fund must be rated AAAM-G or AAAM by S&P, if S&P is a Rating Agency, or Aaa by Moody’s, if Moody’s is a Rating Agency. If at any time the Bonds are not rated (and, consequently, there is no Rating Agency), then the money market mutual fund must be rated AAAM-G or AAAM by S&P or Aaa by Moody’s. If at any time (i) the Bonds are not rated, (ii) both S&P and Moody’s rate a money market mutual fund and (iii) one of those ratings is below the level required by this paragraph, then such money market mutual fund will, nevertheless, be deemed to be rated in the Highest Rating Category if the lower rating is no more than one rating category below the highest rating category of that rating agency.

(i) Any other investment authorized by the laws of the State, if such investment is approved in writing by the Construction Lender, the Credit Provider and each Rating Agency.

Permitted Investments shall not include any of the following:

(1) Except for any investment described in the next sentence, any investment with a final maturity or any agreement with a term greater than one year from the date of the investment. This exception (1) shall not apply to any obligation that provides for the optional or mandatory tender, at par, by the holder of such obligation at least once within one year of the date of purchase, Government Obligations irrevocably deposited with the Trustee for payment of Bonds pursuant to Section 9.3, and Permitted Investments listed in paragraphs (g) and (i)).

(2) Except for any obligation described in paragraph (a) or (b), any obligation with a purchase price greater or less than the par value of such obligation.

(3) Any asset-backed security, including mortgage-backed securities, real estate mortgage investment conduits, collateralized mortgage obligations, credit card receivable asset-backed securities and auto loan asset-backed securities.

(4) Any interest-only or principal-only stripped security.

(5) Any obligation bearing interest at an inverse floating rate.

(6) Any investment which may be prepaid or called at a price less than its purchase price prior to stated maturity.

(7) Any investment the interest rate on which is variable and is established other than by reference to a single index plus a fixed spread, if any, and which interest rate moves proportionately with that index.

(8) Any investment described in paragraph (d) or (g) with, or guaranteed or insured by, a Qualified Financial Institution described in clause (iv) of the definition of Qualified Financial Institution if such institution does not agree to submit to jurisdiction, venue and service of process in the United States of America in the agreement relating to the investment. and

(9) any investment to which S&P has added an “r” or “t” highlighter.

“**Person**” means a natural person, estate, trust, corporation, partnership, limited liability company, association, public body or any other organization or entity (whether governmental or private).

“**Pledge Agreement**” means the Pledged Bonds Custody and Security Agreement dated as of the date of this Indenture, among the Borrower, U.S. Bank National Association, as collateral agent for the Credit Provider, and the Credit Provider, as such agreement may be amended, supplemented or restated from time to time, or any agreement entered into in substitution therefor.

“**Pledged Bond**” means any Bond during the period from and including the date of its purchase by the Trustee on behalf of and as agent for the Borrower with the proceeds of an Advance under the Credit Facility, to, but excluding, the date on which the Pledged Bonds Advance made by the Credit Provider on account of such Pledged Bond is reinstated under the Credit Facility.

“**Potential Default**” means, as used in any Transaction Document, any event that has occurred which, with the giving of notice or the passage of time or both, would constitute an Event of Default as described in that document. Any “Potential Default” as described in any Transaction Document is not a “Potential Default” in any other Transaction Document unless that other Transaction Document specifically so provides.

“**Pre-Conversion Loan Equalization Payment**” has the meaning given to that term in the Note.

“**Preference Claim**” has the meaning given that term in Section 8.8.

“**Principal Amount**” means \$9,300,000, the original principal amount of the Bonds on the Closing Date.

“**Principal Reserve Amount**” means 20% of the principal amount of the Bonds Outstanding immediately after the Conversion Date.

“Principal Reserve Fund” means the Principal Reserve Fund created by Section 5.1.

“Principal Reserve Schedule” means the Schedule of Deposits to Principal Reserve Fund attached to the Reimbursement Agreement, as such schedule may be amended, supplemented or restated from time to time.

“Project Account” means the Project Account of the Loan Fund.

“Qualified Financial Institution” means any of: (i) bank or trust company organized under the laws of any state of the United States of America, (ii) national banking association, (iii) savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America, (iv) federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions of law or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, (v) government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, (vi) securities dealer approved in writing by the Credit Provider the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation and (vii) any other entity which is acceptable to the Construction Lender and the Credit Provider. With respect to an entity which provides an agreement held by the Trustee for the investment of moneys at a guaranteed rate as set out in paragraph (g) of the definition of the term **“Permitted Investments”** or an entity which guarantees or insures, as applicable, the agreement, a “Qualified Financial Institution” may also be a corporation or limited liability company organized under the laws of any state of the United States of America.

“Rate Determination Date” means (i) with respect to the Weekly Variable Rate, _____ of each week, or if such _____ is not a Business Day, the first Business Day before such _____; provided, however, that upon any adjustment to the Weekly Variable Rate Mode from a Reset Rate, the first Rate Determination Date will be the Business Day prior to the Adjustment Date, and (ii) with respect to any Reset Rate and the Fixed Rate, the date selected by the Remarketing Agent which date must be a Business Day not less than five Business Days prior to the Adjustment Date.

“Rating Agency” means any nationally recognized statistical rating agency then maintaining a rating on the Bonds.

“Rebate Analyst” means a Person that is (i) qualified and experienced in the calculation of rebate payments under Section 148 of the Code and compliance with the arbitrage rebate regulations promulgated under the Code, (ii) chosen by the Borrower, with the approval of the Issuer and (iii) engaged for the purpose of determining the amount of required deposits, if any to the Rebate Fund.

“Rebate Analyst’s Fee” means the annual fee of the Rebate Analyst, as provided in an agreement with the Rebate Analyst.

“Rebate Fund” means the Rebate Fund created by Section 5.1.

“Record Date” means, with respect to any Interest Payment Date, (i) if the Bonds bear interest at the Weekly Variable Rate, the Business Day before the Interest Payment Date and (ii) if the Bonds bear interest at a Reset Rate or the Fixed Rate, the first day of the month in which the Interest Payment Date occurs.

“Redemption Account” means the Redemption Account of the Revenue Fund.

“Redemption Date” means any date upon which Bonds are to be redeemed pursuant to this Indenture.

“Regulatory Agreement” means the Regulatory Agreement and Declaration of Restrictive Covenants relating to the Mortgaged Property, dated as of June 1, 2003, by the Issuer, the Trustee and the Borrower, as it may be amended, supplemented or restated from time to time.

“Reimbursement Agreement” means the Reimbursement Agreement, dated as of June 1, 2003, between the Credit Provider and the Borrower, as amended, supplemented or restated from time to time, or any agreement entered into in substitution therefor.

“Remarketing Agent” means Newman & Associates, A Division of GMAC Commercial Holding Capital Markets Corp., or any successor as Remarketing Agent designated in accordance with Section 4.3.

“Remarketing Agent’s Fee” means the fee of the Remarketing Agent for its remarketing services.

“Remarketing Agreement” means the Remarketing Agreement, dated as of the date of this Indenture between the Borrower and the Remarketing Agent, as amended, supplemented or restated from time to time, or any agreement entered into in substitution therefor.

“Remarketing Notice Parties” means the Borrower, Issuer, Trustee, Tender Agent, Remarketing Agent, Construction Lender, Credit Provider and Loan Servicer.

“Reserved Rights” means those certain rights of the Issuer under the Financing Agreement to indemnification and to payment or reimbursement of fees and expenses of the Issuer, its right to receive notices and to enforce notice and reporting requirements, its right to inspect and audit the books, records and premises of the Borrower and of the Mortgaged Property, its right to collect attorneys’ fees and related expenses, its right to specifically enforce the Borrower’s covenant to comply with applicable federal tax law and State law (including the Act and the rules and regulations of the Issuer, if any), and its right to give or withhold consent to amendments, changes, modifications and alterations to the Financing Agreement relating to the Reserved Rights.

“Reset Date” means any date upon which the Bonds begin to bear interest at a Reset Rate for the Reset Period then beginning.

“Reset Period” means each period of ten years or more selected by the Borrower, or such shorter period as may be selected by the Borrower with the prior written consent of the Credit Provider, during which the Bonds bear interest at a Reset Rate.

“Reset Rate” means the rate of interest borne by the Bonds as determined in accordance with Section 2.6.

“Revenue Fund” means the Revenue Fund created by Section 5.1.

“Revenues” means all (i) payments made under the Credit Facility, (ii) Investment Income (excluding Investment Income earned from moneys on deposit in the Principal Reserve Fund, the Rebate Fund, the Fees Account and the Costs of Issuance Fund, but including Investment Income earned on Net Bond Proceeds deposited into the Costs of Issuance Fund and Investment Income on such Investment Income) and (iii) payments made under the Note.

“Second Highest Rating Category” means, with respect to an Investment, that the Investment is rated by each Rating Agency in the second highest rating category given by that Rating Agency for that general category of security. If at any time the Bonds are not rated (and, consequently, there is no Rating Agency), then the term “Second Highest Rating Category” means, with respect to an Investment, that the Investment is rated by S&P or Moody’s in the second highest rating category given by that rating agency for that general category of security. By way of example, the Second Highest Rating Category for tax-exempt municipal debt established by S&P is “AA” for a term greater than one year, with corresponding ratings by Moody’s of “Aa.” If at any time

(i) the Bonds are not rated, (ii) both S&P and Moody's rate an Investment and (iii) one of those ratings is below the Second Highest Rating Category, then such Investment will not be deemed to be rated in the Second Highest Rating Category. For example, an Investment rated "AA" by S&P and "A" by Moody's is not rated in the Second Highest Rating Category.

"Securities Depository" means, initially, DTC and its successors and assigns, and any replacement securities depository appointed under this Indenture.

"Security" means the Trust Estate and the Credit Facility.

"Security Instrument" means the Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (California), dated as of June 1, 2003, together with all riders and exhibits, securing the Note and the obligations of the Borrower to the Credit Provider under the Credit Facility Documents, executed by the Borrower with respect to the Mortgaged Property, as it may be amended, supplemented or restated from time to time, or any security instrument executed in substitution therefor, as such substitute security instrument may be amended, supplemented or restated from time to time.

"Sinking Fund Payment" means, as of any particular date of calculation, the amount required to be paid by the Issuer on a single future date for the retirement of Outstanding Bonds which mature after such future date, but excluding any amount payable by the Issuer by reason of the maturity of a Bond or by optional redemption at the election of the Issuer.

"Sinking Fund Payment Date" means any of the dates on which any of the Bonds matures or is subject to redemption through the application of Sinking Fund Payments as set out in a Sinking Fund Schedule.

"Sinking Fund Schedule" means a schedule of principal amounts of Bonds to mature or be subject to redemption through the application of Sinking Fund Payments on the specified dates and/or a schedule of principal amounts of Bonds maturing as serial Bonds.

"S&P" means Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., and its successors and assigns, or if it is dissolved or no longer assigns credit ratings, then any other nationally recognized statistical rating agency, designated by the Credit Provider, as assigns credit ratings.

"State" means the State of California.

"Substitution Date" means the date upon which an Alternate Credit Facility is to be substituted for the Credit Facility then in effect, which date must be an Interest Payment Date during a Weekly Variable Rate Period or an Adjustment Date which immediately follows a Reset Period.

"Tax Certificate" means the Tax Certificate and Agreement, dated the Closing Date, executed and delivered by the Issuer and the Borrower, as amended, supplemented or restated from time to time.

"Tax Event" has the meaning given to that term in Section 10.1(c).

"Tender Agent" means the Tender Agent named in Article XI or its successor as Tender Agent under this Indenture named in accordance with such Article.

"Tender Agent Agreement" means any Tender Agent Agreement entered into by the Issuer, the Trustee and the Tender Agent in the event that the Trustee does not serve as Tender Agent under this Indenture, as such agreement may be amended, supplemented or restated from time to time.

"Tender Agent's Annual Fee" means the annual ongoing fee of the Tender Agent, equal to _____, payable by the Borrower as provided in the Financing Agreement, computed and payable semiannually in advance on each June 15 and December 15.

"Tender Date" means any Mandatory Tender Date or any other date on which Bondholders are permitted under this Indenture to tender their Bonds for purchase.

“Tendered Bond” means any Bond which has been tendered for purchase pursuant to Sections 4.1 or 4.2.

“Termination Date” has the meaning given to that term in the Construction Phase Financing Agreement.

“Third Party Fees” means the Issuer’s Fee, the Rebate Analyst’s Fee, the Remarketing Agent’s Fee, the Tender Agent’s Fee and the Trustee’s Annual Fee. Neither the Fees and Expenses nor the Facility Fee is a Third Party Fee.

“Transaction Documents” means the Bond Documents, the Loan Documents and the Credit Facility Documents.

“Trust Estate” means the property, interests, rights, money, securities and other amounts pledged and assigned pursuant to this Indenture and the property, rights, money, securities and other amounts pledged and assigned by the Issuer to the Trustee and the Credit Provider pursuant to the Assignment.

“Trustee” means U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, or its successors or assigns, or any other corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at any time serving as successor trustee under this Indenture.

“Trustee’s Annual Fee” means the annual ongoing trust administration fee of the Trustee equal to \$2,500, payable by the Borrower as provided in the Financing Agreement, payable semiannually in advance on each June 15 and December 15.

“UCC” means the Uniform Commercial Code of the State as in effect now or in the future, whether or not such Uniform Commercial Code is applicable to the parties or the transactions.

“Underwriter” means Newman & Associates, A Division of GMAC Commercial Holding Capital Markets Corp.

“Week” means any seven-day period during a Weekly Variable Rate Period beginning on _____ and ending on and including the following _____; except that:

- (a) the first Week will begin on the Closing Date and end on and include the following _____;
- (b) the first Week of a Weekly Variable Rate Period immediately following an Adjustment Date will begin on such Adjustment Date and end on and include the following _____;
- (c) any Week ending immediately before an Adjustment Date will begin on a _____ and end on the day before such Adjustment Date;
- (d) the final Week will begin on a _____ and end on the earlier of an Adjustment Date or the Maturity Date; and
- (e) the first and last Weeks of a Weekly Variable Rate Period may consist of more (but not more than 13) or less than 7 days.

“Weekly Variable Rate” means the variable rate of interest per annum for the Bonds determined from time to time during the Weekly Variable Rate Period in accordance with Section 2.5.

“Weekly Variable Rate Period” means the period commencing on the Closing Date or an Adjustment Date on which the interest rate on the Bonds is adjusted from the Reset Rate to the Weekly Variable Rate and ending on the day preceding the following Adjustment Date or the Maturity Date.

“**Wrongful Dishonor**” means an uncured failure by the Credit Provider to make an Advance to the Trustee upon proper presentation of documents which conform to the terms and conditions of the Credit Facility.

SECTION 1.2 **Rules of Construction**. The rules of construction set forth in this Section 1.2 apply to this Indenture.

(a) The singular form of any word includes the plural, and vice versa, unless the context otherwise requires. The use of a pronoun of any gender includes correlative words of the other genders.

(b) All references to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or other subdivisions of this Indenture; and the words “in this Indenture,” “of this Indenture,” “under this Indenture” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision.

(c) Any captions, headings or titles of the several Articles, Sections and other subdivisions, and the table of contents are solely for convenience of reference and do not limit or otherwise affect the meaning, construction or effect of this Indenture or describe the scope or intent of any provision.

(d) All accounting terms not otherwise defined have the meanings assigned to them in accordance with applicable generally accepted accounting principles as in effect from time to time.

(e) Every “request,” “order,” “demand,” “application,” “appointment,” “notice,” “statement,” “certificate,” “consent,” or similar action under this Indenture by any party must be in writing and signed by a duly authorized representative of such party with a duly authorized signature.

(f) All references in this Indenture to “counsel fees,” “attorneys fees” or the like mean and include fees and disbursements allocable to in-house or outside counsel, whether or not suit is instituted, and including fees and disbursements preparatory to and during trial and appeal and in any bankruptcy or arbitration proceedings.

(g) Whenever the word “includes” or “including” is used, such word means “includes or including by way of example and not limitation.”

(h) The parties to this Indenture acknowledge that each party, the Borrower, the Construction Lender and the Credit Provider and their respective counsel have participated in the drafting, review and revision of this Indenture. Accordingly, the parties agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Indenture or any amendment, modification, supplement or restatement of any of the foregoing or of any exhibit to this Indenture.

ARTICLE II THE BONDS

SECTION 2.1 Authorized Amount of Bonds. No Bonds may be issued under this Indenture except as provided in this Article. The total principal amount of Bonds that may be issued and outstanding under this Indenture is expressly limited to the Principal Amount.

SECTION 2.2 Issuance of Bonds. The Bonds are authorized to be issued pursuant to and in accordance with this Indenture, substantially in the form set forth in Exhibit A with such appropriate variations, legends, omissions and insertions as permitted by this Indenture. The Bonds shall (i) be designated “The Housing Authority of the County of Los Angeles Variable Rate Demand Multifamily Housing Revenue Bonds (Castaic Senior Apartments Project), Series 2003C”, (ii) be issued in the Principal Amount, (iii) be dated the Closing Date, (iv) bear interest from the Closing Date at the rate or rates determined as provided in Sections 2.5, 2.6 and 2.7, payable on each Interest Payment Date and (v) mature on the Maturity Date, subject to prior redemption as provided in Article III. The Bonds shall be issued as registered bonds without coupons in Authorized Denominations. The Bonds shall be numbered consecutively from R-1 upwards.

SECTION 2.3 Payment of Principal and Interest. The principal of and the interest and any premium on the Bonds are payable in lawful money of the United States of America to the Registered Owners at the close of business on the applicable Record Date. Payment of interest on the Bonds shall be made on each Interest Payment Date by check drawn upon the Trustee and mailed by first class mail, postage prepaid, to the addresses of the Registered Owners as they appear on the Bond Register or to such other address as may be furnished in writing by any Registered Owner to the Trustee prior to the applicable Record Date. Payment of the principal of any Bond and premium, if any, together with interest (other than interest payable on a regularly scheduled Interest Payment Date) shall be made by check only upon presentation and surrender of the Bond on or after its maturity date or date fixed for purchase, redemption or other payment at the office of the Trustee designated for that purpose. Notwithstanding the foregoing, payment of principal of and interest and any premium on any Bond shall be made by wire transfer to any account within the United States of America designated by a Registered Owner owning \$1,000,000 or more in aggregate principal amount of Bonds if a written request for wire transfer in form and substance satisfactory to the Trustee is delivered to the Trustee by any such Registered Owner not less than five Business Days prior to the applicable payment date. A request for wire transfer that specifies that it is effective with respect to all succeeding payments of principal, interest and any premium will be so effective unless and until rescinded in writing by the Registered Owner at least five Business Days prior to a Record Date. If interest on the Bonds is in default, the Trustee, prior to the payment of interest, shall establish a special record date (“**Special Record Date**”) for such payment. A Special Record Date may not be more than 15 nor less than ten days prior to the date of the proposed payment. Payment of defaulted interest shall then be made by check or wire transfer, as permitted above, mailed or remitted to the Registered Owners in whose names the Bonds are registered on the Special Record Date.

SECTION 2.4 Limited Obligations. The Bonds are special, limited obligations of the Issuer, payable solely from the Security. The Bonds are not a debt of the State

or of any other political subdivision of the State, and neither the State, the County of Los Angeles nor any other political subdivision of the State will be liable for the payment of the Bonds. The faith and credit of the Issuer is not pledged to the payment of the principal of or interest on the Bonds. Neither the faith and credit nor the taxing power of the State, the County of Los Angeles nor any other political subdivision or public agency of the State is pledged to the payment of the principal of or interest on the Bonds.

SECTION 2.5 Weekly Variable Rate Mode.

(a) **Weekly Variable Rate.** Except during a Reset Period or a Fixed Rate Period, the Bonds shall bear interest at the Weekly Variable Rate, determined from time to time pursuant to Section 2.5(b). During the Weekly Variable Rate Period, interest shall accrue on the basis of a 365- or 366-day year, as applicable, for the actual number of days elapsed.

(b) **Determination of Weekly Variable Rate.** During each Weekly Variable Rate Period, the Remarketing Agent shall determine the Weekly Variable Rate for each Week not later than 4:00 p.m. Eastern time on each Rate Determination Date. The Weekly Variable Rate shall be the minimum rate of interest necessary, in the professional judgment of the Remarketing Agent, taking into consideration prevailing market conditions, to enable the Remarketing Agent to remarket all of the Bonds on the applicable Rate Determination Date at par plus accrued interest on the Bonds for that Week. The Weekly Variable Rate so determined shall be effective for the Week for which such rate was determined. The Remarketing Agent shall provide notice of the Weekly Variable Rate before 5:00 p.m. Eastern time on the Rate Determination Date by telephone to any Beneficial Owner upon request and to the Loan Servicer, Trustee and Construction Lender, and not later than the next Business Day to the other Remarketing Notice Parties by Electronic Means. The Weekly Variable Rate so determined by the Remarketing Agent will be conclusive and binding upon the Remarketing Notice Parties and the Registered Owners.

SECTION 2.6 Reset Rate Mode.

(a) **Reset Rate.** During any Reset Period, the Bonds shall bear interest at the Reset Rate determined pursuant to Section 2.6(b) for such Reset Period. During each Reset Period, interest shall accrue on the basis of a year of 360 days of twelve 30-day months.

(b) **Determination of Reset Rate.** The Remarketing Agent shall determine the Reset Rate not later than 4:00 p.m. Eastern time on the applicable Rate Determination Date. The Reset Rate shall be the minimum rate of interest necessary, in the professional judgment of the Remarketing Agent, taking into consideration prevailing market conditions, to enable the Remarketing Agent to remarket all of the Bonds on the applicable Rate Determination Date at par for the applicable Reset Period. The Remarketing Agent will provide notice of the Reset Rate before 5:00 p.m. Eastern time on the Rate Determination Date by telephone to any Beneficial Owner upon request and to the Loan Servicer and Construction Lender, and not later than the next Business Day to the other Remarketing Notice Parties by Electronic Means. The Reset Rate so determined by the Remarketing Agent will be conclusive and binding upon the Remarketing Notice Parties and the Registered Owners.

SECTION 2.7 Fixed Rate Mode.

(a) **Fixed Rate.** During the Fixed Rate Period, the Bonds shall bear interest at the Fixed Rate determined pursuant to Section 2.7(b). During the Fixed Rate Period, interest shall accrue on the basis of a year of 360 days of twelve 30-day months.

(b) **Determination of Fixed Rate.** The Remarketing Agent shall determine the Fixed Rate not later than 4:00 p.m. Eastern time on the applicable Rate Determination Date. The Fixed Rate shall be the minimum rate of interest necessary, in the professional judgment of the Remarketing Agent, taking into consideration prevailing market conditions, to enable the Remarketing Agent to remarket all of the Bonds on the Rate Determination Date at par for the Fixed Rate Period. The Remarketing Agent shall provide notice of the Fixed Rate before 5:00 p.m. Eastern time on the Rate Determination Date by telephone to the Loan Servicer and Construction Lender, and not later than the next Business Day to the other Remarketing Notice Parties by Electronic Means. The Fixed Rate so determined by the Remarketing Agent will be conclusive and binding upon the Remarketing Notice Parties and the Registered Owners.

SECTION 2.8 Mode Adjustments.

(a) **Adjustment to Reset Rate from Weekly Variable Rate or from prior Reset Rate.** At the option of the Borrower, the interest rate on all Outstanding Bonds may be adjusted on any Interest Payment Date from the Weekly Variable Rate to a Reset Rate for a Reset Period of ten years or more selected by the Borrower, or such shorter period as may be selected by the Borrower with the prior written consent of the Credit Provider. Any Reset Period must end immediately before an Interest Payment Date. In addition, the interest rate on all Outstanding Bonds may be adjusted from a prior Reset Rate to a new Reset Rate on the Adjustment Date immediately following the Reset Period then in effect. Each such adjustment is subject to satisfaction of the following conditions precedent:

(1) not less than 45 days before the proposed Reset Date, the Borrower delivers (A) written notice to the other Remarketing Notice Parties of the proposed adjustment and designating the proposed Reset Date and the duration of the Reset Period to commence on such Reset Date and (B) the written preliminary consent of the Credit Provider to such adjustment which consent may be subject to the satisfaction of conditions prior to such adjustment;

(2) not less than 30 days before the proposed Reset Date, the Trustee gives written notice to the Bondholders, stating: (A) the proposed Reset Date; (B) that from and after the proposed Reset Date, if the conditions specified in this Indenture to such adjustment are satisfied, the Bonds will bear interest at a Reset Rate (which rate need not be stated); and (C) that all Bonds are subject to mandatory tender and purchase on the proposed Reset Date, whether or not such conditions are satisfied, and no holder of any Bond shall have the right to elect to retain such Bond;

(3) on or prior to the proposed Reset Date, the Borrower delivers (A) to the Trustee and the Loan Servicer, written notice from the Credit Provider

consenting to the adjustment to the Reset Rate, together with confirmation that the Credit Facility will be sufficient in amount and term to satisfy the requirements of Section 2.9 and (B) to the other Remarketing Notice Parties, an opinion of Bond Counsel to the effect that the adjustment of the interest rate on the Bonds to the Reset Rate is authorized and permitted by this Indenture and the laws of the State (including the Act), and will not adversely affect the exclusion from gross income for federal income tax purposes of the interest payable on the Bonds; and

(4) on or prior to the proposed Reset Date, the Remarketing Agent has given notice pursuant to Section 4.3(d) to the effect that all Outstanding Bonds have been remarketed for the Reset Period at the Reset Rate determined pursuant to Section 2.6(b).

(b) **Adjustment from Reset Rate to Weekly Variable Rate.** At the option of the Borrower, the interest rate on all Outstanding Bonds may be adjusted from a Reset Rate to the Weekly Variable Rate on the day following the last day of a Reset Period. Each such adjustment is subject to the satisfaction of the following conditions precedent:

(1) not less than 45 days before the proposed Adjustment Date, the Borrower delivers (A) written notice to the other Remarketing Notice Parties electing the proposed adjustment and (B) the written preliminary consent of the Credit Provider to such adjustment which consent may be subject to the satisfaction of conditions prior to such adjustment;

(2) not less than 30 days before the proposed Adjustment Date, the Trustee gives written notice to the Bondholders, stating: (A) the proposed Adjustment Date; (B) that from and after the proposed Adjustment Date, if the conditions specified in this Indenture to such adjustment are satisfied, the Bonds will bear interest at the Weekly Variable Rate (which rate need not be stated); and (C) that all Bonds are subject to mandatory tender and purchase on the proposed Adjustment Date, and that no holder of any Bond will have the right to elect to retain such Bond;

(3) on or prior to the proposed Adjustment Date, the Borrower delivers (A) to the Trustee and the Loan Servicer written notice from the Credit Provider consenting to the adjustment to the Weekly Variable Rate, together with confirmation that the Credit Facility will be sufficient in amount and term to satisfy the requirements of Section 2.9 and (B) to the other Remarketing Notice Parties, an opinion of Bond Counsel to the effect that the adjustment of the interest rate on the Bonds to the Weekly Variable Rate is authorized and permitted by this Indenture and the laws of the State, and will not adversely affect the exclusion from gross income for federal income tax purposes of the interest payable on the Bonds; and

(4) on or prior to the proposed Adjustment Date, the Remarketing Agent has given notice pursuant to Section 4.3(d) to the effect that all Outstanding

Bonds have been remarketed for the first Week of the Weekly Variable Rate Period at the Weekly Variable Rate determined pursuant to Section 2.5(b).

(c) **Adjustment to Fixed Rate.** At the option of the Borrower, the interest rate on all Outstanding Bonds may be adjusted to the Fixed Rate (i) from the Weekly Variable Rate on any Interest Payment Date designated by the Borrower, or (ii) from a Reset Rate (A) on the day following the last day of any Reset Period or (B) on any Interest Payment Date during a Reset Period on which the Bonds are subject to redemption pursuant to Section 3.2(a) at par without any premium. Such adjustment is subject to the satisfaction of the following conditions precedent:

(1) not less than 45 days before the proposed Fixed Rate Adjustment Date, the Borrower delivers (A) written notice to the other Remarketing Notice Parties designating the proposed Fixed Rate Adjustment Date and (B) the written preliminary consent of the Credit Provider to such adjustment which consent may be subject to the satisfaction of conditions prior to such adjustment;

(2) not less than 30 days before the proposed Fixed Rate Adjustment Date, the Trustee gives written notice to the Bondholders stating the following: (A) the proposed Fixed Rate Adjustment Date; (B) that from and after the proposed Fixed Rate Adjustment Date, if the conditions specified in this Indenture to such adjustment are satisfied, the Bonds will bear interest at the Fixed Rate (which rate need not be stated); and (C) that all Bonds are subject to mandatory tender and purchase on the proposed Fixed Rate Adjustment Date, whether or not such conditions are satisfied and no holder of any Bond(s) will have the right to elect to retain its Bonds;

(3) on or prior to the proposed Fixed Rate Adjustment Date, the Borrower delivers (A) to the Trustee, either (1) written notice from the Credit Provider consenting to the adjustment to the Fixed Rate, together with confirmation that the Credit Facility will be sufficient in amount and term to satisfy the requirements of Section 2.9 or (2) a written waiver from the Issuer of the requirement for a Credit Facility during the Fixed Rate Period so long as the Credit Facility then in effect remains in effect for the mandatory tender of the Bonds on the proposed Fixed Rate Adjustment Date (which waiver will acknowledge that the Rating Agency has been notified not less than ten days prior to the Fixed Rate Adjustment Date that the Credit Facility will be terminated on the Fixed Rate Adjustment Date); and (B) to the other Remarketing Notice Parties, an opinion of Bond Counsel to the effect that the adjustment of the interest rate on the Bonds to the Fixed Rate is authorized and permitted by this Indenture and the laws of the State (including the Act), and will not adversely affect the exclusion from gross income for federal income tax purposes of the interest payable on the Bonds; and

(4) on or prior to the proposed Fixed Rate Adjustment Date, the Remarketing Agent has given notice pursuant to Section 4.3(d) to the effect that

all Outstanding Bonds have been remarketed for the Fixed Rate Period at the Fixed Rate determined pursuant to Section 2.7(b).

(5) on or prior to the proposed Fixed Rate Adjustment Date (A) the Issuer, at the written direction of the Borrower and with the prior written consent of the Credit Provider, establishes a Sinking Fund Schedule, (B) the Issuer, the Trustee and the Credit Provider receive an opinion of Bond Counsel to the effect that establishing a Sinking Fund Schedule will not adversely affect the exclusion from gross income for federal income tax purposes of the interest payable on the Bonds, and (C) the Note is amended, with the prior written consent of the Credit Provider, to provide for principal amortization of the Loan consistent with the Sinking Fund Schedule.

(d) **Adjustment During the Construction Period.** Notwithstanding anything to the contrary in this Section 2.8, no change in Mode to take effect prior to the Conversion Date shall be made unless the Construction Lender consents to such change in writing.

The Trustee shall provide a copy of the Sinking Fund Schedule, Opinion of Bond Counsel and Note amendment to the Loan Servicer on or before the proposed Adjustment Date.

SECTION 2.9 Credit Facility Requirement. So long as the Bonds bear interest at the Weekly Variable Rate or at a Reset Rate, one or more Credit Facilities providing credit support for the Loan or the Bonds and liquidity support for the Bonds must be in effect. If the Bonds bear interest at the Fixed Rate, one or more Credit Facilities providing credit support for the Loan or the Bonds must be in effect unless the Issuer has expressly waived such requirement in writing. When delivered, each Credit Facility shall satisfy the following requirements:

(a) the Credit Facility shall be in an amount equal to the aggregate principal amount of the Bonds Outstanding from time to time plus the Interest Requirement;

(b) the Credit Facility shall provide for payment in immediately available funds to the Trustee, upon receipt of the Trustee's request for such payment with respect to any Interest Payment Date, purchase date (if applicable) or mandatory redemption date pursuant to the Indenture;

(c) if the Credit Facility is provided to secure Bonds during a Reset Period, the Credit Facility shall provide an expiration date no earlier than the earliest of (i) the day following the Adjustment Date immediately succeeding the Reset Period; (ii) ten days after the Trustee receives notice from the Credit Provider of an Event of Default under the Reimbursement Agreement and a direction to redeem all Outstanding Bonds; (iii) the date on which all Bonds are paid in full and the Indenture is discharged in accordance with its terms; and (iv) the date on which the Bonds become secured by an Alternate Credit Facility in accordance with the terms of the Indenture and the Credit Facility; and

(d) unless waived by the Issuer in its sole discretion, the Credit Facility shall result in the Bonds receiving a short-term rating in the highest rating category of each Rating

Agency or a long-term rating in one of the three highest rating categories of each Rating Agency, or both, as applicable for the Mode then in effect.

SECTION 2.10 Certain General Provisions Concerning Modes and Interest

Rates.

(a) **Failure to Satisfy Conditions Precedent to Mode Change.** If the conditions precedent to a change in Mode set forth in Sections 2.8 and 2.9 have not been satisfied, then the following will apply:

(1) The new Mode shall not take effect.

(2) The Bonds shall be subject to mandatory tender on the proposed Adjustment Date and the holders of the Bonds will not have the right to elect to retain their Bonds.

(3) If the Mode in effect immediately prior to the proposed Adjustment Date is the Weekly Variable Rate, the interest rate on the Bonds shall continue at the Weekly Variable Rate from and after the proposed Adjustment Date, without any further action by any party.

(4) If the Mode in effect immediately prior to the proposed Adjustment Date is a Reset Rate, the interest rate on the Bonds shall be adjusted on the proposed Adjustment Date to the Weekly Variable Rate if the Trustee and the Credit Provider receive an opinion of Bond Counsel to the effect that the change to a Weekly Variable Rate will not adversely affect the exclusion from gross income for federal income tax purposes of the interest payable on the Bonds. If such an opinion is not delivered, the interest rate on the Bonds shall be adjusted on the proposed Adjustment Date to a new Reset Rate for the shortest Reset Period ending on an Interest Payment Date which would enable the Remarketing Agent to remarket the Bonds on the proposed Adjustment Date at par with the Bonds bearing interest at the lowest possible rate, but in no event greater than the Reset Rate in effect for the Reset Period immediately prior to the proposed Adjustment Date or such higher rate to which the Credit Provider may consent from time to time without any further action by any party other than the selection of the Reset Period and the remarketing of the Bonds so long as the Trustee and the Credit Provider receive an opinion of Bond Counsel to the effect that the change to such Reset Period will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes. If such opinion is not delivered, the Bonds shall remain at the Reset Rate in effect for the immediately prior Reset Period, with a Reset Period equal to the Reset Period previously in effect without any further action by any party other than the remarketing of the Bonds.

(5) The Remarketing Agent will remarket the Bonds on the Adjustment Date at the applicable interest rate.

(b) **Failure by Remarketing Agent to Determine Weekly Variable Rate.**

If the Remarketing Agent fails or refuses to determine the Weekly Variable Rate applicable for any Week, the interest rate to be borne by the Bonds during such Week shall be the latest BMA Index Rate published on or before the Rate Determination Date, or, in the event the BMA Index Rate is no longer published, the last Weekly Variable Rate determined by the Remarketing Agent.

(c) **Maximum Interest Rate.** Notwithstanding any other provision of this

Indenture, the interest rate on the Bonds may not exceed the Maximum Rate.

(d) **Alternate Credit Facility.** Notwithstanding anything to the contrary in

this Indenture, the consent of the Credit Provider to a change in Mode shall not be required if (i) an Alternate Credit Facility satisfying the requirements of Section 2.9 will be in effect on the Adjustment Date and (ii) the Credit Facility then in effect will remain available for mandatory tenders of Bonds on the Adjustment Date.

(e) **Reimbursement Agreement Default.** Notwithstanding anything to the

contrary contained in this Indenture, in the event that the Credit Provider gives written notice to the Issuer and the Trustee that the Borrower has defaulted in performing any of its obligations under Section 6.5 (Fannie Mae Right to Convert to Reset Rate, Fixed Rate) of the Reimbursement Agreement, then the Credit Provider shall be entitled to exercise all rights of the Borrower to adjust the Mode and the Borrower shall not be entitled to exercise any such rights unless and until the Borrower gives written notice, acknowledged in writing by the Credit Provider, to the Issuer, the Loan Servicer and the Trustee that either (i) such default has been cured or waived or (ii) the Credit Provider has consented to the Borrower's resumption of the exercising of such rights. Such acknowledgement or consent by the Credit Provider shall not preclude the Credit Provider from exercising its rights under this subsection upon the occurrence of any subsequent default by the Borrower under the Reimbursement Agreement. Any notice from the Credit Provider to the Issuer and the Trustee of a default under the Reimbursement Agreement as set forth in this subsection must state whether or not it is also intended to constitute a notice described in Section 10.1(a)(4).

SECTION 2.11 Temporary Bonds.

If definitive Bonds are not ready for delivery on the Closing Date, the Issuer shall execute, and at the request of the Issuer, the Trustee shall authenticate and deliver, one or more temporary typewritten, printed or lithographed Bonds, in any Authorized Denomination, in fully registered form, and in substantially the form provided for definitive Bonds with appropriate omissions, insertions and variations. The Issuer shall cause definitive Bonds to be prepared and to be executed and delivered to the Trustee. Upon presentation to it of any temporary Bond, the Trustee shall cancel the same and authenticate and deliver in exchange therefor, without charge to the owner of such Bond, a definitive Bond or Bonds of an equal aggregate principal amount of Authorized Denominations, of the same maturity and series, and bearing interest at the same rate as the temporary Bond surrendered. Until so exchanged, the temporary Bonds will in all respects be entitled to the same benefit and security of this Indenture as the definitive Bonds.

SECTION 2.12 Execution.

The Bonds shall be signed by the manual or facsimile signature of an Authorized Officer and attested by the manual or facsimile signature of

an Authorized Attesting Officer. In case any officer whose signature or a facsimile of whose signature appears on any Bonds ceases to be such officer before the delivery of such Bonds, such signature or such facsimile will nevertheless be valid and sufficient for all purposes as if such officer had remained in office until delivery.

SECTION 2.13 Authentication. Only such Bonds as have endorsed on them a certificate of authentication substantially in the form set forth in Exhibit A to this Indenture duly executed by the Trustee shall be entitled to any right or benefit under this Indenture. No Bond shall be valid or obligatory for any purpose unless and until such certificate of authentication has been manually executed by the Trustee. Such executed certificate upon any Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Indenture. The Trustee's certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized representative of the Trustee, but it shall not be necessary that the same person sign the certificates of authentication on all of the Bonds.

SECTION 2.14 Mutilated, Lost, Stolen or Destroyed Bonds. If any Bond is mutilated, lost, stolen or destroyed, the Issuer shall execute and the Trustee shall authenticate and deliver a new Bond of the same maturity, interest rate, principal amount, series and tenor in lieu of and in substitution for the mutilated, lost, stolen or destroyed Bond, provided, however, that in the case of any mutilated Bond, the mutilated Bond must first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Bond, there must be first furnished to the Trustee evidence satisfactory to it of the ownership of the Bond, and of the loss, theft or destruction, together with indemnity satisfactory to the Trustee and the Issuer and compliance with such other reasonable requirements as the Trustee and the Issuer may prescribe. If any such Bond will mature within the ensuing 60-days, or if such Bond has been called for redemption or a redemption date pertaining to such Bond has passed, instead of replacing the Bond, the Trustee may, upon receipt of such indemnity, pay the Bond. The Trustee shall cancel any mutilated Bond surrendered to it. In connection with any such substitution or payment, the Issuer and the Trustee may charge the holder of such Bond their reasonable fees and expenses, including attorneys' fees and expenses.

If, after the delivery of such replacement Bond, the original Bond in lieu of which such replacement Bond was issued is presented for payment or registration, the Trustee shall seek to recover such replacement Bond from the person to whom it was delivered or any person taking therefrom and shall be entitled to recover from the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Trustee, the Borrower or the Issuer in connection therewith.

SECTION 2.15 Securities Depository Provisions.

(a) **Registration in the Book-Entry System.** Initially, all Bonds shall be Book-Entry Bonds. All Bonds shall be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company ("**DTC**"). The Issuer and the Trustee acknowledge that they have executed and delivered a Letter of Representations with DTC. All payments of principal of, redemption premium, if any, and interest on the Book-Entry Bonds and all notices with respect thereto, including notices of full or partial redemption, shall be made and given at the times and in the manner set out in the Letter of Representations. This Indenture shall govern

in the event of any inconsistency between this Indenture and the Letter of Representations. The Letter of Representations may be amended without Bondholder consent.

(b) **Exculpation.** With respect to Book-Entry Bonds, neither the Issuer, the Trustee, the Credit Provider, the Loan Servicer, the Construction Lender nor the Borrower will have any responsibility or obligation to any broker-dealer, bank or other financial institution for which DTC holds Bonds from time to time as securities depository (“**DTC Participant**”) or to any person on behalf of whom such a DTC Participant directly or indirectly holds an interest in the Bonds (“**Indirect Participant**”). Without limiting the immediately preceding sentence, the Issuer, the Trustee, the Credit Provider, the Loan Servicer, the Construction Lender and the Borrower will have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any Indirect Participant or any other person, other than DTC, as Bondholder, of any notice with respect to the Bonds, including any notice of redemption, (iii) the payment to any DTC Participant or Indirect Participant or any other Person, other than DTC, as Bondholder, of any amount with respect to principal of, premium, if any, or interest on, the Bonds, (iv) any consent given by DTC or (v) selection of Bonds for redemption. The Issuer, the Borrower, the Credit Provider, the Loan Servicer and the Trustee shall treat DTC or any successor securities depository as, and deem DTC or any successor securities depository to be, the absolute owner of the Bonds for all purposes whatsoever and neither the Issuer, the Borrower nor the Trustee shall have any responsibility or obligation to any Beneficial Owner of any Book-Entry Bond. While in the DTC system, no person other than DTC will receive a Bond certificate with respect to any Bond.

(c) **Successor Securities Depository; Transfers Outside Book-Entry System.** DTC may discontinue providing its services with respect to the Bonds at any time by giving written notice to the Issuer, the Trustee, the Remarketing Agent, the Tender Agent and the Borrower and by discharging its responsibilities with respect to the Bonds under applicable law. The Issuer or the Borrower, with the consent of the other, may terminate the services of DTC. If the Borrower is in default under any Bond Document or any Loan Document, the Issuer will not be required to obtain the consent of the Borrower to terminate the services of DTC. Without the consent of the Issuer, the Borrower may terminate the services of DTC if the Tender Agent is not a DTC Participant. Upon the discontinuance or termination of the services of DTC, unless a substitute securities depository is appointed to undertake the functions of DTC under this Indenture, the Issuer, at the expense of the Borrower, shall provide Bond certificates to the Trustee for delivery to the Beneficial Owners of the Bonds, and the Bonds may be registered in whatever name or names the Registered Owners transferring or exchanging Bonds designate to the Trustee in writing. The Issuer may appoint a successor depository operating a securities depository system, qualified to act as such under Section 17A of the Securities Exchange Act of 1934, as amended.

SECTION 2.16 Bond Registrar; Exchange and Transfer of Bonds; Persons Treated as the Bondholders.

(a) **Bond Registrar; Bond Register.** The Trustee shall act as the initial Bond Registrar and in such capacity shall keep the Bond Register for the registration of the Bonds and for the registration of transfer of the Bonds.

(b) **Transfers and Exchanges.** Any Bondholder or its attorney duly authorized in writing may transfer title to or exchange a Bond upon surrender of the Bond at the Designated Office of the Trustee together with a written instrument of transfer (in substantially the form of assignment, including signature guarantee, attached to the Bond) satisfactory to the Trustee executed by the Bondholder or its attorney duly authorized in writing. Upon surrender for registration of transfer of any Bond, the Issuer shall execute and the Trustee shall authenticate and deliver in the name of the Bondholder or its transferee or transferees a new Bond or Bonds of the same aggregate principal amount, rate of interest, maturity, series and tenor as the Bond surrendered and of any Authorized Denomination. If Fannie Mae is the Credit Provider, any purported transfer to Fannie Mae (other than a transfer of Pledged Bonds if Fannie Mae has become the owner of the Mortgaged Property and would be required to advance funds under the Credit Facility in connection with a mandatory purchase of Bonds) must be accompanied by the written consent of the General Counsel and the Controller of Fannie Mae.

(c) **Exceptions to Transfers and Exchanges.** Except as provided in Section 4.1, the Trustee will not be required to register any transfer or exchange of any Bond (or portion of any Bond) during the 15-day period immediately before the selection of Bonds for redemption, and from and after notice calling such Bonds (or portion of such Bonds) for redemption or partial redemption has been given and prior to such redemption.

(d) **Charges.** Registrations of transfers or exchanges of Bonds shall be without charge to the Bondholders, but any taxes or other governmental charges required to be paid with respect to a transfer or exchange shall be paid by the Bondholder requesting the registration of transfer or exchange as a condition precedent to the exercise of such privilege. Any service charge made by the Trustee for any such registration, transfer or exchange shall be paid by the Borrower.

(e) **Recognized Owners.** The person in whose name any Bond is registered on the Bond Register will be deemed the absolute owner of such Bond for all purposes, and payment of any principal, interest and premium will be made only to or upon the order of such person or its attorney duly authorized in writing, but such registration may be changed as provided above. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

(f) **Bonds Protected.** All Bonds issued upon any registration of transfer or exchange of Bonds will be legal, valid and binding limited obligations of the Issuer, evidencing the same debt, and entitled to the same security and benefits under this Indenture, as the Bonds surrendered upon such transfer or exchange.

(g) **Issuer's Reliance.** In executing any Bond upon any exchange or registration of transfer provided for in this Section, the Issuer may rely conclusively on a representation of the Trustee that such execution is required.

SECTION 2.17 Cancellation. All Bonds which have been surrendered pursuant to Section 2.3 or Article III for payment upon maturity or redemption prior to maturity or Bonds which are deemed canceled or are canceled pursuant to Section 4.4(b) will be canceled

by the Trustee and will not be reissued. Canceled Bonds will be destroyed by the Trustee unless the Trustee receives contrary instructions from the Issuer.

SECTION 2.18 Conditions for Delivery of Bonds. Upon the execution and delivery of this Indenture, the Issuer shall execute and deliver to the Trustee, and the Trustee shall authenticate, the Bonds and deliver them to or for the account of the Underwriter or to such persons as the Underwriter specifies, in each case in the records of DTC, provided, however, that prior to delivery of the Bonds to the Underwriter each of the following must be delivered to the Trustee:

(a) a certified copy of the Bond Resolution authorizing the execution and delivery on behalf of the Issuer of the Bond Documents to which it is a party and related matters;

(b) executed original counterparts of the Bond Documents, the Loan Documents, the Construction Phase Credit Documents and all other agreements, documents and instruments to be executed and delivered on the Closing Date by the parties to those agreements, documents and instruments, and the original executed Credit Facility;

(c) an opinion of Bond Counsel to the effect that the Bonds have been duly and validly issued and delivered and constitute valid and binding obligations of the Issuer, and that the interest payable on the Bonds is excludable from gross income for federal income tax purposes and that the Indenture has been duly executed and delivered by the Issuer and constitutes a valid and binding obligation of the Issuer, subject to customary qualifications on enforceability;

(d) a written request and authorization by an Authorized Officer to the Trustee to authenticate and deliver the Bonds to or for the account of the Underwriter upon receipt from the Underwriter of the purchase price set forth in such request;

(e) receipt from the Underwriter of the purchase price for the Bonds;

(f) receipt from the Borrower of the Costs of Issuance Deposit;

(g) evidence of proper recordation of the Regulatory Agreement;

(h) evidence, acceptable to the Credit Provider and the Loan Servicer, of proper recordation of the Security Instrument, the Regulatory Agreement and the Assignment or a title insurance binder acceptable to the Credit Provider and the Loan Servicer insuring the “gap” in a manner acceptable to the Credit Provider and the Loan Servicer; and

(i) written evidence that the Bonds have been assigned a rating in the Highest Rating Category by the Rating Agency rating the Bonds.

ARTICLE III REDEMPTION OF BONDS

SECTION 3.1 Redemption. The Bonds are subject to redemption prior to maturity only as set forth in this Article III. All redemptions must be in Authorized Denominations.

SECTION 3.2 Optional Redemption.

(a) **General Provisions.** The Bonds are subject to optional redemption in whole or in part upon optional prepayment of the Loan by the Borrower. Redemptions pursuant to this Section 3.2 will be made at the following times and at the following prices:

(1) On any Interest Payment Date within a Weekly Variable Rate Period and on any Adjustment Date at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the Redemption Date.

(2) On any date within a Reset Period at the respective redemption prices set forth in the table below expressed as percentages of the principal amounts of the Bonds called for redemption, such redemption prices declining ____ percent each year until such redemption price equals 100 percent of the principal amount of the Bonds, plus accrued interest, if any, to the Redemption Date:

<u>Term of Reset Period or more years</u>	<u>No-Call Period</u>	<u>Redemption Price ____%</u>	<u>No Premium ____ year and thereafter</u>
<u>____ years or more (but less than ____)</u>	<u>First ____ years from and after the Reset Date</u>	<u>____%</u>	<u>____ year and thereafter</u>
<u>More than ____ years (but less than ____)</u>	<u>Period until the date that is ____ years before the end of Reset Period</u>	<u>____%</u>	<u>Final year</u>
<u>____ years or less</u>	<u>Until the date that is one year before end of the Reset Period</u>	<u>100.0%</u>	<u>Final year</u>

The Borrower and the Remarketing Agent, not less than 15 days before any Reset Date, may give notice to the Issuer, the Credit Provider, the Loan Servicer, the Construction Lender and the Trustee setting forth a redemption schedule different from that set forth above, accompanied by (A) the written consent of the Credit Provider of the Credit Facility to be in

effect for the ensuing Reset Period, and (B) an opinion of Bond Counsel to the effect that such change will not adversely affect the exclusion from gross income for federal income tax purposes of the interest payable on the Bonds. Such different redemption schedule will apply to any redemption pursuant to this Section 3.2(a)(2) for the new Reset Period, without further action by any party.

(3) On any date within the Fixed Rate Period, at the respective redemption prices set forth below expressed as percentages of the principal amounts of the Bonds called for redemption, such redemption prices declining _____ percent each year until such redemption price equals 100 percent of the principal amount of the Bonds, plus accrued interest, if any, to the Redemption Date:

<u>Term of Fixed Rate Period</u>	<u>No-Call Period</u>	<u>Redemption Price</u>	<u>No Premium</u>
<u>_____ or more years</u>	<u>First _____ years from and after the Fixed Rate Adjustment Date</u>	<u>_____ %</u>	<u>_____ year and thereafter</u>
<u>_____ years or more (but less than _____)</u>	<u>First _____ years from and after the Fixed Rate Adjustment Date</u>	<u>_____ %</u>	<u>_____ year and thereafter</u>
<u>More than _____ years (but less than _____)</u>	<u>Period until the date that is _____ years before the Maturity Date</u>	<u>_____ %</u>	<u>Final year</u>
<u>_____ years or less</u>	<u>Until the date that is one year before the Maturity Date</u>	<u>100.0%</u>	<u>Final year</u>

The Borrower and the Remarketing Agent may, not less than 15 days before the Fixed Rate Adjustment Date, give notice to the Issuer, the Credit Provider, the Loan Servicer, the Construction Lender and the Trustee setting forth a redemption schedule different from that set forth in this paragraph, accompanied by (A) the written consent of the Credit Provider of the Credit Facility, if any, to be in effect for the ensuing Fixed Rate Period, and (B) an opinion of Bond Counsel to the effect that such change will not adversely affect the exclusion from gross income for federal income tax purposes of interest payable on the Bonds. Such different redemption schedule shall apply to any redemption pursuant to this Section 3.2(a)(3) for the Fixed Rate Period, without further action by any party.

(b) **Premium from Available Moneys other than the Credit Facility.** The principal of and accrued interest on any Bond being redeemed under Section 3.2(a) shall be paid from an Advance under the Credit Facility and the premium, if any, must be paid with other Available Moneys. Neither the Issuer, the Credit Provider nor the Loan Servicer shall have any obligation to provide funds to be included in any premium.

SECTION 3.3 Mandatory Redemption. The Bonds are subject to mandatory redemption as provided in this Section 3.3 on the earliest practicable Redemption Date for which timely notice of redemption can be given pursuant to Section 3.4 following the occurrence of the event requiring such redemption. The principal of and accrued interest on any Bond being redeemed under this Section shall be paid from an Advance under the Credit Facility. Bonds will be redeemed at a redemption price equal to 100 percent of the principal amount of such Bonds plus accrued interest to the Redemption Date, without premium.

(a) **Casualty or Condemnation.** The Bonds shall be redeemed in whole or in part in the event and to the extent that proceeds of insurance from any casualty to, or proceeds of any award from any condemnation of, or any award as part of a settlement in lieu of condemnation of, the Mortgaged Property (“Proceeds”) are applied in accordance with the Security Instrument to the prepayment of the Loan.

(b) **After an Event of Default under the Reimbursement Agreement.** The Bonds shall be redeemed in whole or in part in an amount specified by and at the direction of the Credit Provider requiring that the Bonds be redeemed pursuant to this subsection following any Event of Default under the Reimbursement Agreement. The Redemption Date shall be the earliest practicable date, but in no event shall such redemption occur later than two Business Days prior to the date, if any, that the Credit Facility terminates on account of the Credit Provider’s giving of direction to the Trustee pursuant to this subsection to redeem all of the Bonds.

(c) **Principal Reserve Fund.** The Bonds shall be redeemed in whole or in part as follows:

(1) on each Adjustment Date in an amount equal to the amount which has been transferred from the Principal Reserve Fund on such Adjustment Date to the Redemption Account pursuant to Section 5.11(b)(5); and

(2) on any Interest Payment Date in an amount equal to the amount which has been transferred from the Principal Reserve Fund on such Interest Payment Date to the Redemption Account pursuant to Section 5.11(b)(6) or (7).

(d) **Sinking Fund Redemption.** The Bonds shall be redeemed during the Fixed Rate Period if the Issuer has established a Sinking Fund Schedule, at the times and in the amounts set forth in the Sinking Fund Schedule (subject to the provisions of Section 5.5(c) permitting amounts to be credited toward part or all of any one or more Sinking Fund Payments).

(e) **Pre-Conversion Loan Equalization.** The Bonds shall be redeemed in part in the event that the Borrower makes a Pre-Conversion Loan Equalization Payment. The principal amount of Bonds to be redeemed shall be the amount prepaid by the Borrower or, if

such amount is not an integral multiple of an Authorized Denomination, the next lowest integral multiple of an Authorized Denomination to the amount prepaid.

(f) **Failure of Conversion or Borrower Default.** The Bonds shall be redeemed in whole if the Credit Provider notifies the Trustee that (i) the Conditions to Conversion have not been satisfied on or prior to the Termination Date, or (ii) a Borrower Default has occurred, or (iii) the Construction Lender has directed Fannie Mae to draw on the Letter of Credit due to an event of default by the Borrower under the Construction Phase Loan Agreement or the Construction Phase Reimbursement Agreement. The Bonds shall also be redeemed in whole at the time and as otherwise required by Section 5.3(c)(2) if the Trustee purchases the Bonds for the account of the Construction Lender pursuant to Section 3.8.

(g) **Excess Loan Funds.** The Bonds shall be redeemed in whole or in part in the event and to the extent that amounts on deposit in the Loan Fund are transferred to the Redemption Account pursuant to Section 5.3(c)(1).

SECTION 3.4 Notice of Redemption to Registered Owners.

(a) **Notice Requirement.** For any redemption of Bonds pursuant to Section 3.2 or 3.3 (other than subsections (b) and (d)), the Trustee shall give notice of redemption by first class mail, postage prepaid, not less than ten days prior to the specified Redemption Date, to the Registered Owner of each Bond to be redeemed at the address of such Registered Owner as shown on the Bond Register. With respect to Book-Entry Bonds, if the Trustee sends notice of redemption to the Securities Depository pursuant to the Letter of Representations, the Trustee shall not be required to give the notice set forth in the immediately preceding sentence. In the case of any redemption of Bonds pursuant to Section 3.3(b) no prior notice of redemption will be given. In the case of any redemption pursuant to Section 3.3(d), the Trustee will give notice of redemption as provided in Section 5.5(c)(3). In the case of an optional redemption under Section 3.2, the notice of redemption shall state that it is conditioned upon receipt by the Trustee of sufficient moneys to redeem the Bonds including Available Moneys to pay any redemption premium in full (“**Conditional Redemption**”), and such notice and optional redemption shall be of no effect if either (i) by no later than the scheduled redemption date, sufficient moneys to redeem the Bonds and sufficient Available Moneys to pay any redemption premium have not been deposited with the Trustee, or if such moneys are deposited, are not available or (ii) the Trustee at the direction of the Credit Provider rescinds such notice on or prior to the scheduled redemption date. The Trustee shall cause a second notice of redemption to be sent by first class mail, postage prepaid, on or within ten days after the 30th day after the Redemption Date to any Bondholder who has not submitted its Bond to the Trustee for payment. The Trustee shall provide copies of all notices given under this Section and of all revocations of notices to the Credit Provider, the Loan Servicer and the Construction Lender at the same time it gives notices to Bondholders.

(b) **Content of Notice.** Each notice of redemption must state: (i) the date of the redemption notice; (ii) the Closing Date and the complete official name of the Bonds, including the series designation; (iii) for each Bond to be redeemed, the interest rate or that the interest rate is variable, maturity date and in the case of a partial redemption of Bonds, the principal amount of each Bond to be redeemed; (iv) the CUSIP numbers of all Bonds being

redeemed; (v) the place or places where the Bonds to be redeemed must be surrendered for payment and where amounts due upon such redemption will be payable upon surrender of the Bonds to be redeemed; (vi) the Redemption Date and redemption price of each Bond to be redeemed; (vii) the name, address, telephone number and contact person at the office of the Trustee with respect to such redemption; (viii) that interest on all Bonds to be redeemed will not accrue from and after the Redemption Date; (ix) if a redemption is a Conditional Redemption, that redemption is conditional upon receipt by the Trustee of sufficient moneys to redeem the Bonds including Available Moneys to pay any redemption premium and (x) that the Credit Provider may direct the Trustee to cancel such redemption upon the occurrence of any Event of Default under the Reimbursement Agreement.

(c) **Additional Notice.** At the same time notice of redemption is sent to the Registered Owners the Trustee shall send notice of redemption by first class mail, overnight delivery service or other overnight means, postage or service prepaid (or as specified below) (i) to the Rating Agency, (ii) if the Bonds are not subject to the Book-Entry System, to certain municipal registered Securities Depositories (described below) which are known to the Trustee, on the second Business Day prior to the date the notice of redemption is mailed to the Bondholders, to be holding Bonds, and (iii) at least two of the national Information Services (described below) that disseminate securities redemption notices. For this purpose:

(1) Securities Depositories include: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 227-4039 or 4190; or, in accordance with the then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories or any such other depositories as the Issuer may designate in writing to the Trustee; and

(2) Information Services include: Financial Information, Inc. "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services, "Called Bond Service," 65 Broadway, 16th Floor, New York, New York 10004; Moody's Investors Service "Municipal and Government," 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; and Standard and Poor's Ratings Group "Called Bond Record," 25 Broadway, New York, New York 10004; or, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds, or any other such services as the Issuer may designate in writing to the Trustee.

(d) **Validity of Proceedings for the Redemption of Bonds.** If notice is given as stated in subsection (a), failure of any Bondholder to receive such notice, or any defect in the notice, shall not affect the redemption or the validity of the proceedings for the redemption of the Bonds.

(e) **Rescission of Conditional Redemption; Cancellation of Optional Redemption.** The Trustee shall rescind any Conditional Redemption if the requirements of Section 3.2(b) have not been met on or before the Redemption Date or the Trustee has received a

direction to cancel the Conditional Redemption from the Credit Provider. The Trustee shall give notice of rescission by the same means as is provided in this Section for the giving of notice of redemption or by Electronic Means confirmed in writing. The optional redemption shall be canceled once the Trustee has given notice of rescission. Any Bonds subject to Conditional Redemption where redemption has been rescinded shall remain Outstanding, and neither the rescission nor the failure of funds being made available in part or in whole on or before the Redemption Date shall constitute an Event of Default. Notwithstanding notice having been given in the manner provided above, any optional redemption of Bonds shall be canceled with the consent of or at the direction of the Credit Provider if the Credit Provider has notified the Trustee in writing that an Event of Default under the Reimbursement Agreement has occurred.

SECTION 3.5 Redemption Payments. If notice of redemption has been given and the conditions for such redemption, if applicable, have been met, the Bonds called for redemption shall become due and payable on the Redemption Date, interest on those Bonds will cease to accrue from and after the Redemption Date and the called Bonds will no longer be Outstanding. The holders of the Bonds so called for redemption shall thereafter no longer have any security or benefit under this Indenture except to receive payment of the redemption price for such Bonds upon surrender of such Bonds to the Trustee. All moneys held by or on behalf of the Trustee for the redemption of particular Bonds will be held in trust for the account of the holders of the Bonds to be redeemed. If less than the entire principal amount of a Bond is called for redemption, the Issuer shall execute, and the Trustee shall authenticate and deliver, upon the surrender of such Bond to the Trustee, without charge by the Issuer or the Trustee to the Bondholder, in exchange for the unredeemed principal amount of such Bond, a new Bond or Bonds of the same interest rate, maturity and term, in any Authorized Denomination, in aggregate principal amount equal to the unredeemed balance of the principal amount of the Bond so surrendered.

SECTION 3.6 Selection of Bonds to be Redeemed Upon Partial Redemption. If less than all the Outstanding Bonds are called for redemption, the Trustee shall select by lot, in such manner as it determines in its discretion, the Bonds, or portions of the Bonds in Authorized Denominations, to be redeemed. In the selection process (i) any Pledged Bonds Outstanding will be called for redemption before any other Bonds are selected for redemption and (ii) if applicable, the Bonds with the highest interest rate will be called for redemption before any other Bonds are selected for redemption. For the purposes of this Section, Bonds which have previously been selected for redemption will not be deemed Outstanding. Notwithstanding the foregoing, the Securities Depository for Book-Entry Bonds shall select the Bonds for redemption within particular maturities according to its stated procedures.

SECTION 3.7 Purchase of Bonds in Whole in Lieu of Redemption. If the Bonds are called for redemption in whole pursuant to this Indenture, all (but not less than all) of the Bonds may be purchased by the Trustee (for the account of the Borrower or the Credit Provider or their respective designee, as directed by such party) on the date which otherwise would be the Redemption Date, (i) except in the case of a redemption under Section 3.3(a) or Section 3.3(b), at the direction of the Borrower with the written consent of the Credit Provider or (ii) at the direction of the Credit Provider. Such purchase shall require written notice to the Trustee at least one Business Day prior to such Redemption Date. The purchase price of the

Bonds shall be equal to the redemption price which would have been applicable to such Bonds on the Redemption Date. The purchase price will be paid only from Available Moneys. In the event the Trustee is so directed to purchase Bonds in lieu of redemption, no notice to the holders of the Bonds to be purchased (other than the notice of redemption otherwise required under this Indenture) will be required. The Trustee is authorized to apply to the purchase price the funds in the Redemption Account which would have been used to pay the redemption price of the Bonds. In no event will Fannie Mae in its capacity as Credit Provider purchase Bonds for its own account in lieu of redemption without the prior written consent of the General Counsel to Fannie Mae.

SECTION 3.8 Special Purchase in Lieu of Redemption.

(a) **Purchase Option.** If all Bonds Outstanding are called for redemption in whole under Section 3.3(f) at any time that the Letter of Credit is in effect, the Bonds may, in lieu of such redemption, be purchased (“**Special Purchase Bonds**”) by the Trustee, at the written direction of the Construction Lender to the Trustee, for the account of the Construction Lender. Any purchase of Bonds pursuant to this Section 3.8(a) shall be in whole and not in part. Such purchase shall be made on the date the Bonds are otherwise scheduled to be redeemed (“**Special Purchase Date**”). The purchase price of the Special Purchase Bonds (“**Special Purchase Price**”) shall be equal to the principal amount of the Special Purchase Bonds, plus accrued interest, if any, on the Special Purchase Bonds to the Special Purchase Date. The payment source shall consist solely of funds to be advanced by the Credit Provider under the Credit Facility in connection with such redemption together with Available Moneys otherwise available under this Indenture to pay the redemption price of the Special Purchase Bonds as directed by the Credit Provider.

(b) **Special Purchase Bonds.** Bonds to be purchased under Section 3.8(a) which are not delivered to the Trustee on the Special Purchase Date shall be deemed to have been so purchased and not redeemed on the Special Purchase Date and shall cease to accrue interest as to the former owner on the Special Purchase Date. Special Purchase Bonds shall be registered in the name of the Construction Lender or any third party designated by the Construction Lender and shall be delivered to the party designated by the Construction Lender. If delivery of the Bonds is not possible, the Trustee shall deliver a written entitlement order to the applicable financial intermediaries on whose records ownership of the Special Purchase Bonds is reflected directing the intermediaries to credit the security entitlement to the Special Purchase Bonds to the account of the Construction Lender. Following such purchase, the registered owner of the Special Purchase Bonds shall be the owner of such Bonds for all purposes under this Indenture and interest accruing on such Bonds from and after the Special Purchase Date shall be payable solely to the registered owner of the Special Purchase Bonds.

(c) **Notice.** Notice of the election by the Construction Lender to purchase Bonds otherwise called for redemption shall be delivered in writing to the Trustee, the Credit Provider, the Loan Servicer and the Rating Agency not less than eight days prior to the date otherwise scheduled for redemption of the Bonds.

(d) **Bonds Remain Outstanding.** It is the intention of the Issuer that the purchase of Bonds pursuant to this Section 3.8 shall not constitute a merger or extinguishment of

the indebtedness of the Issuer evidenced by the Bonds so purchased or of the indebtedness of the Borrower under the Loan. Special Purchase Bonds shall for all purposes be regarded as Outstanding under this Indenture, except as otherwise expressly provided in this Indenture. Upon the purchase of any Bond pursuant to this Section 3.8, the notice of redemption previously given with respect to such Bond shall be deemed to be a notice of mandatory tender of such Bond.

(e) **Rights of the Credit Provider.** Notwithstanding anything contained in this Indenture to the contrary, in no event shall the Credit Facility (or any funds advanced under the Credit Facility) directly or indirectly secure, or provide a source of payment of amounts due from time to time with respect to, the Special Purchase Bonds. In no event shall Fannie Mae be deemed to be the owner of any Special Purchase Bond whether pursuant to this Section 3.8 or otherwise.

(f) **Limitations on Transfer of Bonds.** Notwithstanding Section 2.16, Special Purchase Bonds registered in the name of the Construction Lender pursuant to subsection (a) may not be transferred to another registered owner without the written approval of the Issuer and only in compliance with all applicable securities laws; provided, however, that such approval shall not be required if at the time of such transfer, the Special Purchase Bonds have a current rating of “A” or better from the Rating Agency. Any such approved transfer must be of all of the Outstanding Bonds to a single registered owner.

ARTICLE IV PURCHASE AND REMARKETING OF BONDS

SECTION 4.1 Purchase of Bonds on any Business Day.

(a) **Optional Tender.** During any Weekly Variable Rate Period, the Trustee shall purchase any Bond on behalf of and as agent for the Borrower, but solely from the sources provided in Section 4.1(g), on the demand of the Beneficial Owner of such Bond. The purchase price of any Bond tendered for purchase shall be 100 percent of the principal amount of such Bond plus accrued interest, if any, to the date of purchase. The Beneficial Owner may demand purchase of its Bond by delivery of a Bondholder Tender Notice complying with the requirements of this subsection to the Tender Agent at its Designated Office on any Business Day. Any Bondholder Tender Notice received by the Tender Agent after 3:30 p.m. Eastern time on a Business Day will be treated as received at 9:00 a.m. Eastern time on the following Business Day. The date of purchase shall be the date selected by the Beneficial Owner in the Bondholder Tender Notice; provided, however, that such date is a Business Day which is at least seven days after the date of the delivery of the Bondholder Tender Notice to the Tender Agent. A Bondholder Tender Notice complies with the requirements of this subsection if it:

(1) is accompanied by a guaranty of signature acceptable to the Tender Agent; and

(2) contains the CUSIP number of the Bond, the principal amount to be purchased (or portion of a Bond, provided that the retained portion is an Authorized Denomination), the name, address and tax identification number or

social security number of the Beneficial Owner of the Bond demanding such payment and the purchase date.

(b) **Irrevocability of Tender.** Subject to Section 4.1(h), by delivering a Bondholder Tender Notice the Beneficial Owner irrevocably agrees to deliver the Tendered Bond (with an appropriate transfer of registration form executed in blank and accompanied by a guaranty of signature satisfactory to the Tender Agent) to the Designated Office of the Tender Agent or any other address designated by the Tender Agent at or prior to 10:00 a.m. Eastern time on the date of purchase specified in the Bondholder Tender Notice. Any election by a Beneficial Owner to tender a Bond or Bonds (or portion of a Bond or Bonds) for purchase on a Business Day in accordance with Section 4.1(a) shall also be binding on any transferee of the Beneficial Owner making such election.

(c) **Compliance with Tender Requirements.** Bonds shall be required to be purchased pursuant to Section 4.1(a) only if the Bonds so delivered to the Tender Agent conform in all respects to the description of such Bonds in the Bondholder Tender Notice. The Tender Agent shall determine in its sole discretion whether a Bondholder Tender Notice complies with the requirements of Section 4.1(a) and whether Bonds delivered conform in all respects to the description of the Bonds in the Bondholder Tender Notice. Such determination shall be binding on the other Remarketing Notice Parties and the Beneficial Owner of the Bonds.

(d) **Notice of Bondholder Tender Notice.** Immediately upon receipt of a copy of a Bondholder Tender Notice, the Tender Agent shall notify the other Remarketing Notice Parties by telephone, promptly confirmed in writing, of such receipt, specifying the contents of such Bondholder Tender Notice.

(e) **Untendered Bonds.** If after delivery of a Bondholder Tender Notice to the Tender Agent the holder making such election fails to deliver any of the Bonds described in the Bondholder Tender Notice as required by Section 4.1(b), each untendered Bond or portion of such untendered Bond ("**Untendered Bond**") described in such Bondholder Tender Notice shall be deemed to have been tendered to the Tender Agent for purchase, to the extent that there is on deposit in the Bond Purchase Fund on the applicable purchase date an amount sufficient to pay the purchase price of such Untendered Bond, and such Untendered Bond from and after such purchase date will cease to bear interest and no longer be considered to be Outstanding. The Trustee shall promptly give notice by registered or certified first class mail, postage prepaid, to each Beneficial Owner of any Bond which has been deemed to have been purchased pursuant to this Section, stating that interest on such Untendered Bond ceased to accrue from and after the date of purchase and that moneys representing the purchase price of such Untendered Bond are available against delivery of such Untendered Bond at the Designated Office of the Tender Agent. The Issuer shall sign and the Tender Agent shall authenticate and deliver for redelivery a new Bond or Bonds in replacement of the Untendered Bond not so delivered. The replacement of any Bond will not be deemed to create new indebtedness, but will be deemed to evidence the indebtedness previously evidenced by the Untendered Bond.

(f) **Purchase of Bond in Part.** Upon surrender of any Bond for purchase in part only, the Issuer shall execute and the Tender Agent shall authenticate and deliver to the holder of such Bond a new Bond or Bonds of the same maturity and interest rate, of Authorized

Denominations, in an aggregate principal amount equal to the unpurchased portion of the Bond surrendered.

(g) **Payment and Sources of Purchase Price.** The Tender Agent shall make payment for any Tendered Bond to the Registered Owner at or before 4:00 p.m. Eastern time on the date for purchase specified in the Bondholder Tender Notice, **first** from remarketing proceeds on deposit in the Bond Purchase Fund, **second**, from proceeds of a payment under the Credit Facility, and **third**, from the Borrower.

(h) **Book-Entry-Only.** Notwithstanding the above, during any period that the Bonds are Book-Entry Bonds, (i) any Bondholder Tender Notice also must (A) provide evidence satisfactory to the Tender Agent that the party delivering the notice is the Beneficial Owner of the Bond(s) or a custodian for the Beneficial Owner referred to in the notice, and (B) if the Beneficial Owner is other than a DTC Participant, identify the DTC Participant through whom the Beneficial Owner will direct transfer; (ii) on or before the purchase date, the Beneficial Owner must direct (or if the Beneficial Owner is not a DTC Participant, cause its DTC Participant to direct) the transfer of said Bond(s) on the records of DTC to the account of, or as directed by, the Trustee; (iii) Tendered Bond(s) will be purchased without physical delivery as if such Bond(s) had been so delivered and (iv) the purchase price of such Bond(s) will be paid to DTC.

SECTION 4.2 Mandatory Tender and Purchase.

(a) **Mandatory Tender Dates (Other Than Upon Default); Notice.** The holders of the Bonds shall be required to tender their Bonds to the Tender Agent for purchase on each Mandatory Tender Date by the Trustee acting on behalf of and as agent for the Borrower, but solely from the sources provided in Section 4.2(d), at a purchase price equal to 100 percent of the principal amount of the Bonds plus accrued interest to the applicable Mandatory Tender Date. The Owner of any Bond may not elect to retain its Bond. Mandatory Tender Dates include each Adjustment Date (even if a proposed change in Mode fails to occur), each Substitution Date and each Extension Date. The Trustee shall give notice of Mandatory Tender Dates as follows:

(1) Not less than 30 days before any proposed Adjustment Date, the Trustee shall give notice by first class mail, postage prepaid, to the Bondholders stating the information required to be set forth in notices pursuant to the applicable provisions of Sections 2.8(a)(2), 2.8(b)(2) or 2.8(c)(2).

(2) Not less than ten days before any Substitution Date, the Trustee shall give notice by first class mail, postage prepaid, to the Bondholders stating (A) an Alternate Credit Facility will be substituted for the Credit Facility then in effect, (B) the Substitution Date, (C) that the Bonds are required to be tendered on the Substitution Date and (D) that Bondholders will not have the right to elect to retain their Bonds.

(3) Not less than ten days before any Extension Date, if the Trustee has not received a binding commitment to extend the applicable Alternate Credit

Facility, the Trustee shall give notice by first class mail, postage prepaid, to the Bondholders stating (i) the Extension Date and that no commitment to extend the Alternate Credit Facility then in effect has been received by the Trustee, (ii) that such Bonds are required to be tendered on the Extension Date (unless an extension of the Alternate Credit Facility is received prior to the Extension Date), and (iii) that the Bondholders will not have the right to elect to retain such Bonds if an extension of the Alternate Credit Facility is not received.

(b) **Mandatory Tender upon Default; Notice.** The Bonds shall be subject to mandatory tender on the earliest practicable date, after notice of tender has been given to Bondholders (but not less than ten nor more than 15 days after the giving of such notice) (which date must be a Mandatory Tender Date) upon receipt by the Trustee of written notice from the Credit Provider stating that an Event of Default under this Indenture, the Financing Agreement or the Reimbursement Agreement has occurred and directing that the Bonds be subject to mandatory tender rather than mandatory redemption. Immediately upon receipt by the Trustee of such written notice from the Credit Provider, the Trustee shall give notice by first class mail, postage prepaid, to the owners of the Bonds stating (i) that such event has occurred, (ii) that the Bonds are required to be tendered on the Mandatory Tender Date specified in such notice, and (iii) that the Bondholders will not have the right to elect to retain their Bonds.

(c) **Untendered Bond.** Any Bond which is not tendered on a Mandatory Tender Date (“**Untendered Bond**”) will be deemed to have been tendered to the Tender Agent as of such Mandatory Tender Date, and, from and after such Mandatory Tender Date, shall cease to bear interest and no longer will be considered to be Outstanding. In the event of a failure by owners to deliver Bonds on the Mandatory Tender Date, such Owners will not be entitled to any payment (including any interest to accrue from and after the Mandatory Tender Date) other than the purchase price for such Untendered Bond, and any Untendered Bond will no longer be entitled to the benefits of this Indenture, except for the purpose of payment of the purchase price for such Untendered Bond. The Issuer shall sign, and the Tender Agent shall authenticate and deliver to the Remarketing Agent for redelivery to the purchaser, a new Bond in replacement of the Untendered Bond. The replacement of any such Untendered Bond shall not be deemed to create new indebtedness, but shall be deemed to evidence the indebtedness previously evidenced by the Untendered Bond.

(d) **Payment and Sources of Purchase Price.** The Tender Agent shall make payment for Bonds purchased pursuant to Section 4.2(a) or Section 4.2(b) at or before 4:00 p.m. Eastern time on the Mandatory Tender Date, **first** from remarketing proceeds on deposit in the Bond Purchase Fund, **second**, from proceeds of a payment under the Credit Facility, and **third**, from the Borrower.

(e) **Purchase Price Moneys Held in Trust.** Following any Mandatory Tender Date, moneys deposited with the Tender Agent for the purchase of Bonds shall be held in trust in the Bond Purchase Fund and shall be paid to the former owners of such Bonds upon presentation of such Bonds at the Designated Office of the Tender Agent. The Tender Agent shall promptly give notice by registered or “certified first class” mail, postage prepaid, to each Registered Owner of Bonds whose Bonds are deemed to have been purchased stating that interest on such Bonds ceased to accrue on the date of purchase and that moneys representing the

purchase price of such Bonds are available against delivery of such Bonds at the Designated Office of the Tender Agent. During any period that the Bonds are Book-Entry Bonds, (i) any notice delivered pursuant to this Section 4.2(e) shall be given only to the entity designated in the Letter of Representations, as required by Section 3.4(a) and (ii) it shall not be necessary for Bond(s) to be physically delivered on the date specified for purchase of such Bond(s), but such purchase shall be made as if such Bond(s) had been so delivered, and the purchase price of such Bond(s) shall be paid to DTC.

SECTION 4.3 Remarketing of Bonds.

(a) Resignation and Removal of Remarketing Agent.

(1) Resignation of Remarketing Agent; Termination of Existence.

The Remarketing Agent may resign by giving no less than 30 days prior written notice to the other Remarketing Notice Parties, but in no event shall such resignation take effect prior to the date a successor Remarketing Agent is appointed and is serving under this Indenture and the Remarketing Agreement. Upon receipt of such notice or upon termination of the Remarketing Agent's corporate existence, the Borrower, with the prior written consent of the Credit Provider and notice to the Issuer and the Trustee, shall appoint a successor Remarketing Agent, which must be a trust company or bank or investment bank in good standing, within or without the State. If the Borrower fails or refuses to make such appointment prior to the effective date of the resignation set forth in such notice, or upon such termination of existence, the Credit Provider may appoint a successor Remarketing Agent by written notice to the other Remarketing Notice Parties.

(2) Removal of Remarketing Agent. The Borrower may remove the Remarketing Agent, with the prior written consent of the Credit Provider, at any time by a written notice to the other Remarketing Notice Parties, but unless specifically approved by the Credit Provider, such removal will not become effective until a successor Remarketing Agent satisfactory to the Credit Provider is appointed. If (A) an Event of Default has occurred and is continuing under the Reimbursement Agreement or (B) the Remarketing Agent has failed to fulfill any of its duties and obligations under this Indenture or the Remarketing Agreement, the Credit Provider may remove the Remarketing Agent by written notice to the other Remarketing Notice Parties and appoint a successor Remarketing Agent.

(b) Best Efforts to Remarket Tendered Bonds. In accordance with Sections 2.5, 2.6 and 2.7, the Remarketing Agent shall offer for sale and use its best efforts to remarket, on or prior to each applicable Tender Date:

(1) all Bonds identified in a Bondholder Tender Notice delivered to the Tender Agent;

(2) all Bonds required to be tendered upon delivery of notice under Section 4.2(a)(1) and 4.2(a)(2);

(3) all Bonds required to be tendered pursuant to Section 4.2(a)(3) but only if an Alternate Credit Facility has been delivered to the Trustee; and

(4) all Bonds required to be tendered upon delivery of notice pursuant to Section 4.2(b) but only if the Credit Provider directs that such Bonds be remarketed.

The Remarketing Agent shall offer such Bonds for sale at par plus accrued interest, if any.

(c) **Preliminary Notice of Remarketing.** The Remarketing Agent will give notice by telephone (immediately confirmed by Electronic Means) not later than 4:00 p.m. Eastern time (unless a mandatory tender pursuant to Section 4.2(b) is scheduled, in which case the Remarketing Agent will give such notice not later than 11:00 a.m. Eastern time) on the Business Day preceding each Tender Date, as follows:

(1) to the other Remarketing Notice Parties specifying the total principal amount of Tendered Bonds, if any, (A) that have been remarketed for settlement on such Tender Date, (B) that remain unremarketed at such time, and (C) that in its best good faith estimate will remain unremarketed as of 10:00 a.m. Eastern time on the Tender Date; and

(2) to the Trustee, specifying the name, address and taxpayer identification number or social security number of each purchaser as well as the denominations of the Bonds to be issued to such purchaser.

(d) **Final Notice of Remarketing.** Not later than 10:00 a.m. Eastern time on the Tender Date, the Remarketing Agent shall give notice by Electronic Means to the other Remarketing Notice Parties (immediately confirmed in writing, together with instructions to the Tender Agent as to the manner in which any Bonds that have been remarketed are to be registered) specifying as follows:

(1) the principal amount of Bonds remarketed (together with the information required to be specified in Section 4.3(c) if not already provided);

(2) the amount of remarketing proceeds on deposit with the Tender Agent;

(3) the amount of Bonds to be purchased that have not been remarketed at the time of such notice; and

(4) the amount required to be paid under the Credit Facility, except that;

the information specified in paragraphs (3) and (4) is not relevant to a remarketing described in Section 4.3(b)(4) and the Remarketing Agent need not give such information in that circumstance. Upon receipt of such notice, the Trustee shall draw on the Credit Facility pursuant to Section 8.2 in the amount necessary to pay the purchase price of the Bonds for which remarketing proceeds are not available.

(e) **Payment of Purchase Price.** Upon delivery (except as otherwise provided in, but subject to the tendering Beneficial Owner's compliance with, Section 4.1(h)) of Tendered Bonds to or upon the order of the Remarketing Agent, the Remarketing Agent shall deliver to the Tender Agent at its Designated Office, in immediately available funds, an amount equal to the purchase price of the total principal amount of Bonds specified in the notice given by the Remarketing Agent pursuant to Section 4.3(d), plus accrued interest, if any, on such Bonds.

(f) **Prohibited Remarketing.** Except as otherwise provided in this Indenture, the Remarketing Agent shall not remarket any Bonds directly to the Issuer, the Borrower, any Affiliate of the Borrower, any Affiliate of the Issuer or any guarantor of the Loan.

(g) **Remarketing Agent's Own Account.** The Remarketing Agent may, but is not obligated to, acquire for its own account any Bonds delivered to it, but not otherwise remarketed. The Remarketing Agent may purchase and sell Bonds for its own account at any time.

(h) **Periodic Notice to Credit Provider.** The Remarketing Agent shall provide the Credit Provider with a notice, in form satisfactory to the Credit Provider, by the next Business Day after the first Rate Determination Date in each calendar month, setting forth the name and telephone number of the person providing the notice, the name of the Remarketing Agent and the principal amount of Bonds tendered for remarketing that remain unremarketed as of the close of business on such Rate Determination Date, or, if no Bonds were so tendered, indicating that no Bonds were tendered. The Credit Provider may waive its right to receive such notice(s) from time to time in writing.

(i) **Notices of Rate Determination Date and Nonpayment of Fees.** On or before a Rate Determination Date other than during a Weekly Variable Rate Period, the Remarketing Agent shall notify the other Remarketing Notice Parties of the date selected as the Rate Determination Date. The Remarketing Agent will promptly notify the Loan Servicer if the fees and expenses of the Remarketing Agent have not been paid under the Remarketing Agreement.

(j) **Duties of Trustee Concerning Remarketed Bonds.** Unless the Bonds are then Book-Entry Bonds, the Trustee shall deliver, or cause to be delivered, at the Designated Office of the Tender Agent, Bonds remarketed by the Remarketing Agent, before 1:00 p.m. Eastern time on the applicable purchase date or Mandatory Tender Date; provided, however, that prior to delivery of the Bonds to such purchasers the amount available under the Credit Facility to secure the Bonds must equal the principal amount of the Bonds Outstanding (other than Pledged Bonds) plus the Interest Requirement.

SECTION 4.4 Pledged Bonds.

(a) **No Credit Facility Support.** The Credit Facility shall not constitute security or provide liquidity for Pledged Bonds.

(b) **Ownership and Pledge of Pledged Bonds.** Pledged Bonds shall be owned by the Borrower and pledged to the Custodian under the Pledge Agreement for the benefit

of the Credit Provider. As set forth in the Pledge Agreement, the Tender Agent shall either (i) ensure that Pledged Bonds are delivered to the Custodian or (ii) if, and only if, delivery of the Bonds is not possible, deliver a written entitlement order to the applicable financial intermediaries on whose records ownership of the Pledged Bonds is reflected directing the intermediaries to credit the security entitlement to the Pledged Bonds to the account of the Custodian for the benefit of the Credit Provider and deliver to the Custodian a written confirmation of such credit, whether or not the Borrower notifies the Remarketing Agent to do so. The Trustee shall cancel Pledged Bonds upon direction of the Credit Provider.

(c) **Remarketing of Pledged Bonds.** At such time as a Pledged Bond is remarketed by the Remarketing Agent, the Trustee or the Tender Agent, as appropriate, shall (i) remit the proceeds from the remarketing to the Credit Provider, (ii) pursuant to Section 8(e) of the Credit Facility, submit a Certificate in the form of Exhibit F attached to the Credit Facility and (iii) give written notice to the Remarketing Agent, the Borrower, the Loan Servicer and the Credit Provider that such Bond is no longer a Pledged Bond. During the occurrence and continuation of an Event of Default under this Indenture or the Reimbursement Agreement, no Pledged Bond shall be remarketed without the consent of the Credit Provider. No Pledged Bond shall be remarketed unless the Trustee takes such action, if any, required by the Credit Facility to reinstate the Credit Facility for a like amount.

SECTION 4.5 No Sales After Wrongful Dishonor; No Purchase After Acceleration. Notwithstanding anything in this Indenture to the contrary, no Bonds shall be remarketed if the Trustee has given notice to the Remarketing Agent that a Wrongful Dishonor has occurred and is continuing. No Bonds, other than Pledged Bonds, shall be purchased if the Trustee has given notice to the Remarketing Agent that there has occurred and is continuing an acceleration of the Bonds pursuant to Section 10.2.

ARTICLE V FUNDS AND ACCOUNTS

SECTION 5.1 Creation of Funds and Accounts. The following Funds and Accounts are created with the Trustee:

- (a) the Loan Fund and within the Loan Fund, the Project Account and Capitalized Moneys Account;
- (b) the Revenue Fund and within the Revenue Fund, the Interest Account, the Credit Facility Account, the Redemption Account, and the Fees Account;
- (c) the Costs of Issuance Fund;
- (d) the Rebate Fund;
- (e) so long as any Bonds are Outstanding and have not been adjusted to the Fixed Rate, the Bond Purchase Fund; and
- (f) the Principal Reserve Fund.

The Trustee shall hold and administer the Funds and Accounts in accordance with this Indenture.

SECTION 5.2 Initial Deposits. On the Closing Date, the Trustee shall make the following deposits:

(a) \$ _____ into the Project Account of the Loan Fund from the Net Bond Proceeds;

(b) \$ _____ into the Capitalized Moneys Account in the Loan Fund from Net Bond Proceeds; and

(c) \$ _____ into the Costs of Issuance Fund received from the Borrower and representing the Costs of Issuance Deposit.

SECTION 5.3 Loan Fund.

(a) **Disbursements from the Capitalized Moneys Account.** Until the earlier of (i) the depletion of the Capitalized Moneys Account and (ii) the Conversion Date (the Conversion Date being included as a date on which or for which, as the case may be, the Trustee is directed to perform this function), the Trustee shall automatically transfer amounts on deposit in the Capitalized Moneys Account as follows:

(1) Interest on the Note. Not later than three Business Days prior to each Interest Payment Date, the Trustee shall transfer to the Interest Account an amount equal to the interest which shall be payable on such Interest Payment Date by the Borrower under the Note;

(2) Facility Fee to the Credit Provider. Not later than three Business Days prior to each Interest Payment Date, the Trustee shall transfer to the Interest Account an amount equal to the amount of the Facility Fee payable to the Credit Provider under the Reimbursement Agreement; and

(3) Certain Other Fees. Not later than three Business Days prior to the date on which any Third Party Fee is due, the Trustee shall transfer to the Fees Account, the amount of such Third Party Fee.

Transfers from the Capitalized Moneys Account shall, so long as the Letter of Credit is outstanding, be made no later than three Business Days prior to the respective dates on which such payments are due. The Trustee shall immediately notify the Construction Lender and Fannie Mae if sufficient funds are not available to make the transfers as and when required by this paragraph.

(b) **Disbursements from the Project Account.** The Trustee shall disburse amounts on deposit in the Project Account as provided in this subsection for the sole purpose of paying Costs of the Project.

(1) Requisitions. The Trustee shall make disbursements from the Project Account only upon the receipt of Requisitions, each in the form of the

attached Exhibit B, signed by an Authorized Borrower Representative and countersigned by an Authorized Construction Lender Representative. The Trustee shall have no duty to determine whether any requested disbursement from the Project Account complies with the Construction Phase Credit Documents. The countersignature of the Authorized Construction Lender Representative on a Requisition shall be deemed a certification and, insofar as the Trustee and the Issuer are concerned, constitute conclusive evidence, that all of the terms, conditions and requirements of the Construction Phase Credit Documents applicable to the disbursement have been fully satisfied or waived. The Trustee shall, immediately upon each receipt of a completed Requisition signed by the Authorized Borrower Representative and countersigned by an Authorized Construction Lender Representative, initiate procedures with the provider of the Investment Agreement applicable to the Loan Fund, if any, to make withdrawals under that Investment Agreement as necessary to fund the Requisition.

(2) Timing. If a Requisition signed by the Authorized Borrower Representative and countersigned by an Authorized Construction Lender Representative is received by the Trustee by noon, prevailing California time, on any given Business Day, the Trustee shall pay the requested disbursement within two Business Days (for this purpose, including in the definition of “Business Day” only clauses (i) and (iii) of such definition), or, if an Investment Agreement is in effect with respect to such funds, within two Business Days after funds are received by the Trustee from the provider of the relevant Investment Agreement. If a Requisition signed by the Authorized Borrower Representative and countersigned by an Authorized Construction Lender Representative is received by the Trustee after noon, prevailing California time, on any given Business Day, the Trustee shall pay the requested disbursement within three of the above counted Business Days. Upon final disbursement of all amounts on deposit in the Loan Fund, the Trustee shall close the Loan Fund.

(c) Transfers to Effect Certain Mandatory Redemptions of Bonds.

(1) Conversion; Excess Loan Funds. On the Conversion Date (and, if applicable, from time to time after the Conversion Date) the Trustee shall transfer to the Redemption Account such amounts remaining on deposit in the Loan Fund, excluding from such transfer, however, any amount the Loan Servicer determines are required to pay Costs of the Project which are then not yet due and payable or which are then being contested in good faith. The Trustee shall apply any amounts so transferred to the redemption of Bonds pursuant to Section 3.3(g).

(2) Failure of Conversion or Borrower Default. If the Credit Provider notifies the Trustee pursuant to Section 3.3(f) that either (i) the Conditions to Conversion have not been satisfied prior to the Termination Date or (ii) a Borrower Default has occurred or (iii) the Construction Lender has directed Fannie Mae to draw on the Letter of Credit due to an event of default by the Borrower under the Construction Phase Loan Agreement or the Construction Phase Reimbursement Agreement, then:

(A) the Trustee shall not make any further disbursement from the Project Account in accordance with subsection (b)(1); and

(B) the Trustee shall transfer any amounts remaining on deposit in the Loan Fund to the Redemption Account three Business Days prior to the Redemption Date determined for the redemption of the Bonds pursuant to Section 3.3(f).

If, however, the Trustee purchases the Bonds for the account of the Construction Lender pursuant to Section 3.8, the Trustee shall make the transfer described in clause (B) on such later date as the Construction Lender shall specify, but in any event not later than three years after the Closing Date. The Trustee shall apply any amounts so transferred to the Redemption Account to the redemption of Bonds pursuant to Section 3.3(f).

(3) Certain Other Mandatory Redemptions. Immediately prior to any mandatory redemption of the Bonds in whole pursuant to Section 3.3(a) or 3.3(f), any amounts then remaining in the Loan Fund shall, at the written direction of the Credit Provider, be transferred to the Redemption Account to be applied to the redemption of Bonds pursuant to the applicable provision.

SECTION 5.4 Revenue Fund - Interest Account.

(a) **Deposits into the Interest Account.** The Trustee shall deposit each of the following amounts into the Interest Account:

(1) moneys provided by or on behalf of the Borrower relating to an interest payment under the Note whether paid pursuant to Section 3.2(b)(1) of the Assignment or otherwise;

(2) moneys provided by or on behalf of the Borrower for the payment of the Facility Fee to the Credit Provider under the Reimbursement Agreement whether paid pursuant to Section 3.2(b)(4) of the Assignment or otherwise;

(3) moneys transferred from the Capitalized Moneys Account pursuant to Section 5.3(a) whether to pay accrued interest on the Bonds, the Facility Fee to the Credit Provider under the Reimbursement Agreement or otherwise;

(4) all Investment Income on the Funds and Accounts (except that Investment Income earned on amounts on deposit in the Loan Fund, Rebate Fund, Costs of Issuance Fund, and the Principal Reserve Fund shall be credited to and retained in those respective Funds or Accounts); and

(5) any other moneys made available for deposit into the Interest Account from any other source, including, but not limited to, any excess amounts in the Bond Purchase Fund pursuant to Section 5.10.

(b) **Disbursements from the Interest Account.** The Trustee shall disburse or transfer, as applicable, moneys on deposit in the Interest Account at the following times and apply such moneys in the following manner and in the following order of priority:

(1) On each (i) Interest Payment Date on or prior to the Conversion Date, (ii) Interest Payment Date after the Conversion Date during any Reset Period or Fixed Rate Period, (iii) Redemption Date and (iv) date of acceleration of the Bonds, the Trustee shall disburse to the Credit Provider the amount of any Advance under the Credit Facility relating to the payment of interest on the Bonds;

(2) In the event of a Wrongful Dishonor until such Wrongful Dishonor is cured, the Trustee shall disburse to the Bondholders on each Interest Payment Date, an amount equal to the interest due on the Bonds on such date;

(3) On each Interest Payment Date on or prior to Conversion, to the Credit Provider the amount of its Facility Fee.

(4) If the Credit Provider or the Loan Servicer gives written notice to the Trustee at any time to the effect that there is any unreimbursed Advance under the Credit Facility or any other amount required to be paid by the Borrower to the Credit Provider under the Loan Documents, the Bond Documents or the Credit Facility Documents remains unpaid, then the Trustee shall transfer any Investment Income earned on the Interest Account from and after the preceding Interest Payment Date or the Closing Date, as applicable, to the Credit Provider but not in an amount which exceeds the amount stated as unpaid by the Credit Provider in its notice to the Trustee; and

(5) Unless there is (A) a deficiency in the Principal Reserve Fund, the Fees Account or the Rebate Fund or (B) other than as described in paragraph (3) above, an Event of Default under the Reimbursement Agreement or any Bond Document or a default under any Loan Document has occurred and is continuing, on each Interest Payment Date the Trustee shall disburse to the Borrower the Investment Income earned on the Interest Account from and after the preceding Interest Payment Date or the Closing Date, as applicable. If a deficiency exists in the Principal Reserve Fund, the Fees Account or the Rebate Fund, such Investment Income shall be transferred to the Principal Reserve Fund, the Fees Account and/or the Rebate Fund, in that order of priority, prior to any payment to the Borrower.

SECTION 5.5 Revenue Fund - Redemption Account.

(a) **Deposits into the Redemption Account.** The Trustee shall deposit each of the following amounts into the Redemption Account:

(1) Available Moneys provided by or on behalf of the Borrower to fund the premium payable on Bonds in connection with a redemption of such

Bonds, which amounts shall be held in a segregated subaccount in the Redemption Account;

(2) moneys transferred from the Loan Fund pursuant to Section 5.3(c);

(3) moneys provided by or on behalf of the Borrower relating to a principal payment, including any prepayment under the Note;

(4) moneys transferred from the Principal Reserve Fund pursuant to Section 5.11; and

(5) any other amount received by the Trustee and required by the terms of this Indenture or the Financing Agreement to be deposited into the Redemption Account.

(b) **Disbursements from the Redemption Account.** On each Redemption Date, date of acceleration of the Bonds and Maturity Date, the Trustee shall disburse from the Redemption Account (i) to the Credit Provider, the amount of any Advance under the Credit Facility relating to the payment of principal on the Bonds or (ii) in the event of a Wrongful Dishonor, to the Bondholders, an amount equal to the principal due on the Bonds on such date. In addition, on any date on which premium payable on Bonds in connection with a redemption of such Bonds is due, the Trustee shall disburse to the Bondholders, from the segregated subaccount in the Redemption Account, Available Moneys in an amount sufficient to pay such premium.

(c) **Disbursements from the Redemption Account for Sinking Fund Payments.**

(1) Application of Moneys. Provided that no notice of optional redemption has been sent to Bondholders on or prior to the 30th day preceding a Sinking Fund Payment Date, at the written instruction of the Issuer (acting through an Authorized Officer), at the direction of the Borrower and with the prior written consent of the Credit Provider, the Trustee shall apply any moneys accumulated in the Redemption Account on or prior to the 30th day preceding such Sinking Fund Payment Date to the purchase of Bonds of the maturity for which such Sinking Fund Payment was established at prices (including any brokerage and other charges) not exceeding the redemption price for such Bonds plus accrued and unpaid interest to the date of purchase, such purchase to be made in such manner as the Trustee (after consultation with the Issuer, the Borrower and the Credit Provider) determines. The Borrower shall provide a copy of such direction to the Loan Servicer concurrently with delivery to the Trustee.

(2) Credit Toward Sinking Fund Payment. Upon the purchase of any Bond pursuant to Section 5.5(c)(1), all such Bonds will be cancelled by the Trustee and an amount equal to the principal amount of the Bonds so purchased will be credited toward the Sinking Fund Payment next due with respect to the Bonds of such maturity. In the event the Trustee is able to purchase Bonds at a price less than the redemption price at which such Bonds were to be redeemed, then, presuming no notice of redemption has been sent to Bondholders, after

payment by the Trustee of the purchase price of such Bonds and after payment of any other amounts due on the due date of such Sinking Fund Payment, the Trustee shall pay an amount not greater than the difference between the amount of such purchase price and the amount of such redemption price to, or at the direction of, the Borrower.

(3) **Redemption.** As soon as practicable after the 30th day preceding the due date of any such Sinking Fund Payment, and otherwise as provided in Section 3.4, the Trustee shall give notice of redemption of Bonds in such amount as is necessary to complete the retirement of a principal amount of Bonds equal to the unsatisfied balance of such Sinking Fund Payment. The Trustee shall call such Bonds for redemption whether or not it then has moneys in the Redemption Account sufficient to pay the applicable redemption price of the Bonds to be redeemed on the Redemption Date. The Trustee shall pay the amount required for the redemption of the Bonds so called for redemption from the Funds specified in Article V of this Indenture, in the order of priority indicated, and such amount will be applied by the Trustee to such redemption.

SECTION 5.6 Revenue Fund - Credit Facility Account.

(a) **Deposits into the Credit Facility Account.** The Trustee shall deposit into the Credit Facility Account all Advances under the Credit Facility, except for (i) Advances on account of Issuer's Fee and (ii) Pledged Bond Advances. That portion of any Advance on account of Issuer's Fee shall be deposited into the Fees Account. Any Pledged Bond Advance shall be deposited into the Bond Purchase Fund pursuant to Section 5.10(a)(2). No other moneys will be deposited into the Credit Facility Account and the Credit Facility Account shall be maintained as a segregated account and moneys therein shall not be co-mingled with any other moneys held under the Indenture. The Credit Facility Account shall be closed at such time as the Credit Provider has no continuing liability under the Credit Facility.

(b) **Transfers from the Credit Facility Account.** The Trustee shall cause amounts deposited into the Credit Facility Account to be applied on the date payment is due to the payments for which the Advance was made pursuant to the Credit Facility. In no event shall amounts in the Credit Facility Account be applied to the payment of principal of and interest and any premium on any Pledged Bonds or on any Bonds held by the Borrower or any Affiliate of the Borrower. Any amounts remaining in the Credit Facility Account after making the payment for which the Advance was made pursuant to the Credit Facility shall be immediately refunded to the Credit Provider.

SECTION 5.7 Revenue Fund - Fees Account.

(a) **Deposits into the Fees Account.** The Trustee shall deposit into the Fees Account all:

(1) **Capitalized Moneys Account.** Moneys transferred from the Capitalized Moneys Account pursuant to Section 5.3(c);

(2) Third Party Fees. Payments made by the Borrower under the Financing Agreement attributable to the Third Party Fees;

(3) Fees and Expenses. Payments made by the Borrower under the Financing Agreement attributable to the Fees and Expenses; and

(4) Amounts from the Credit Facility. Amounts derived from the Credit Facility for the payment of the Issuer's Fee.

(b) **Disbursements from the Fees Account.** On any date on which any amounts are required to pay any Third Party Fees or any Fees and Expenses, such amounts shall be withdrawn by the Trustee from the Fees Account for payment to the appropriate party, provided, however, that amounts derived from the Credit Facility and deposited into the Fees Account will be used only to pay the Issuer's Fee when due. In the event the amount in the Fees Account is insufficient to pay such Third Party Fees or any Fees and Expenses, the Trustee shall make written demand on the Borrower for the amount of such insufficiency and, pursuant to the terms of the Financing Agreement, the Borrower shall be liable to promptly pay the amount of such insufficiency to the Trustee within five Business Days after the date of the Trustee's written demand. The Trustee will provide notice of the insufficiency to the Loan Servicer and, prior to the Conversion Date, to the Credit Provider and the Construction Lender.

(c) **No Other Claims to Trust Estate.** Neither the Tender Agent, the Remarketing Agent nor the Rebate Analyst shall have any right to any moneys in any Fund or Account or otherwise in the Trust Estate other than those moneys deposited pursuant to subsection (a) into the Fees Account specifically for such Person. Except as otherwise stated in Sections 5.17 and 9.2, the Issuer shall not have any right to any moneys in any Fund or Account or otherwise in the Trust Estate other than those moneys deposited pursuant to subsection (a) into the Fees Account specifically for the Issuer. Except as otherwise stated in Sections 5.17, 9.2 and 10.10, the Trustee shall not have any right to any moneys in any Fund or Account or otherwise in the Trust Estate other than those moneys deposited pursuant to subsection (a) into the Fees Account specifically for the Trustee.

SECTION 5.8 Costs of Issuance Fund.

(a) **Deposits into the Costs of Issuance Fund.** On or before the Closing Date the Borrower shall deliver the Costs of Issuance Deposit to the Trustee. On the Closing Date, the Trustee shall deposit or transfer, as applicable, the Costs of Issuance Deposit into the Costs of Issuance Fund. Upon final disbursement, the Trustee shall close the Costs of Issuance Fund.

(b) **Disbursements from the Costs of Issuance Fund.** The Trustee shall disburse moneys on deposit in the Costs of Issuance Fund, pursuant to requisitions in the form of Exhibit C attached to this Indenture, signed by an Authorized Borrower Representative, to pay Costs of Issuance. The Trustee may conclusively rely on such requisitions for purposes of making such disbursements. Moneys on deposit in the Costs of Issuance Fund shall not be part of the Trust Estate and will be used solely to pay Costs of Issuance.

(c) **Disposition of Remaining Amounts.** Any moneys remaining in the Costs of Issuance Deposit Account of the Costs of Issuance Fund six months after the Closing Date and not needed to pay still unpaid Costs of Issuance will be returned to the Borrower.

SECTION 5.9 Rebate Fund. All money at any time deposited into the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy any rebate requirement (as calculated by the Rebate Analyst), for the benefit of the United States Government. Neither the Issuer, the Borrower, the Bondholders nor the Credit Provider shall have any rights in or claim to such moneys. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Section and by the Tax Certificate.

Within 30 days after the end of every fifth Bond Year (as defined in the Tax Certificate) or such other times as required by the Tax Certificate, and within 55 days after the date on which no Bonds are Outstanding, the Borrower shall cause the Rebate Analyst to deliver to the Trustee and the Issuer a certificate stating whether any rebate payment is required to be made, as set forth in the Tax Certificate, and the Borrower shall deliver to the Trustee any amount so required to be paid. Unless the Trustee shall have been advised by the Borrower that a Rebate Analyst has been engaged by the Borrower prior to the end of such Bond Year, the Trustee shall engage a Rebate Analyst, at the Borrower's expense, to perform any necessary calculations. Any funds remaining in the Rebate Fund after redemption and/or payment of all of the Bonds and payment and satisfaction of any rebate requirement, or provision made therefor satisfactory to the Trustee, shall be withdrawn and remitted to the Borrower, so long as no amounts remain due and payable to the Credit Provider, or as otherwise provided in the Tax Certificate. The Issuer and the Trustee may rely conclusively upon and shall be fully protected from all liability in relying upon the Rebate Analyst's determinations, calculations, certifications and directions required hereunder and the Issuer and Trustee shall have no responsibility to independently make any calculations or determinations or to review the Rebate Analyst's determinations, calculations, certifications or directions.

SECTION 5.10 Bond Purchase Fund.

(a) **Deposits into Bond Purchase Fund.** The Trustee shall deposit each of the following into the Bond Purchase Fund:

(1) remarketing proceeds received upon the remarketing of Tendered Bonds to any person; and

(2) Pledged Bond Advances under the Credit Facility to enable the Trustee to pay the purchase price of Tendered Bonds to the extent that moneys obtained pursuant to paragraph (1) are insufficient on any date to pay the purchase price of Tendered Bonds, which amounts the Trustee shall transfer to the Tender Agent on or before 3:00 p.m. Eastern time on each Tender Date.

Subject to Section 8.3 permitting reimbursement of amounts owed to the Credit Provider, moneys in the Bond Purchase Fund shall be held uninvested and exclusively for the payment of the purchase price of Tendered Bonds. Amounts held to pay the purchase price for more than two years will be applied in the same manner as provided under Section 5.16 with respect to

unclaimed payments of principal and interest.

(b) **Disbursements from the Bond Purchase Fund.** The Trustee shall transfer to the Tender Agent on or before 3:00 p.m. Eastern time on each Tender Date amounts on deposit in the Bond Purchase Fund to pay the purchase price of Tendered Bonds. The Tender Agent shall apply such amounts to pay the purchase price of Bonds purchased under this Indenture to the former owners of such Bonds upon presentation of the Bonds to the Tender Agent pursuant to Sections 4.1 or 4.2.

SECTION 5.11 Principal Reserve Fund.

(a) **Deposits into the Principal Reserve Fund.** The Trustee shall deposit each of the following amounts into the Principal Reserve Fund:

(1) All of the monthly payments made by the Borrower in accordance with the Schedule of Deposits to Principal Reserve Fund attached to the Reimbursement Agreement, as such schedule may be amended in accordance with the Reimbursement Agreement; and

(2) Investment Income earned on amounts on deposit in the Principal Reserve Fund.

(b) **Disbursements from the Principal Reserve Fund.** The Trustee shall pay or transfer amounts on deposit in the Principal Reserve Fund as follows:

(1) at the written direction of the Credit Provider, to the Credit Provider to reimburse the Credit Provider for any unreimbursed Advance under the Credit Facility and to pay any other amounts required to be paid by the Borrower under the Loan Documents, the Bond Documents or the Credit Facility Documents (including any amounts required to be paid to the Credit Provider);

(2) at the written direction of the Credit Provider, with the written consent of the Borrower (so long as an Event of Default has not occurred and is not continuing under any of the Credit Facility Documents), to the Credit Provider or the Borrower, as the Credit Provider elects, to make improvements or repairs to the Mortgaged Property;

(3) at the written direction of the Credit Provider, if a default has occurred under the Credit Facility Documents, any Loan Document or any Bond Document, to the Credit Provider for any use approved in writing by the General Counsel of the Credit Provider;

(4) at the written direction of the Credit Provider, if a new mortgage and mortgage note have been substituted for the Security Instrument and the Note in accordance with the Loan Documents, or if the Borrower otherwise consents, for any purpose approved in writing by the General Counsel of the Credit Provider;

(5) on each Adjustment Date, to the Redemption Account;

(6) During a Weekly Variable Rate Period, on the tenth Business Day prior to each Interest Payment Date, all amounts on deposit in the Principal Reserve Fund (rounded downward to the nearest multiple of \$100,000) in excess of the Principal Reserve Amount, to the Redemption Account; or

(7) Pay to the Borrower, Investment Income on moneys in the Principal Reserve Fund on the Interest Payment Date following receipt by the Trustee of such interest or profits; provided that there is no deficiency in the Interest Account, the Redemption Account, the Principal Reserve Fund, the Fees Account or the Rebate Fund, and that no default exists under the Credit Facility Documents, any Loan Document or any Bond Document. If a deficiency exists in the Interest Account, the Redemption Account, the Principal Reserve Fund, the Fees Account or the Rebate Fund, the Trustee shall transfer such Investment Income to the Interest Account, the Redemption Account, the Principal Reserve Fund, the Fees Account and/or the Rebate Fund, in that order of priority, prior to any payment to the Borrower.

SECTION 5.12 Moneys to be Held in Trust. Except for (i) moneys deposited with or paid to the Trustee for the redemption of Bonds notice of the redemption of which has been duly given, and (ii) moneys on deposit in the Costs of Issuance Fund, the Rebate Fund and the Fees Account, all moneys required to be deposited with or paid to the Trustee for the account of any Fund or Account will be held by the Trustee in trust and, while held by the Trustee, shall constitute part of the Trust Estate and be subject to the security interest created by this Indenture.

SECTION 5.13 Records. The Trustee shall keep and maintain accurate records with respect to the Funds and Accounts. The Trustee shall file at least an annual accounting of the Funds and Accounts and the payment history on the Bonds and the Loan with the Issuer, the Loan Servicer and the Borrower and, upon request, with the Construction Lender and the Credit Provider. Any notices, reports or other information delivered by the Trustee to the Loan Servicer with respect to any Fund or Account also will be delivered, upon request, to the Construction Lender and the Credit Provider.

SECTION 5.14 Reports by the Trustee. The Trustee shall, on or before the 20th day of each month, file with the Construction Lender, the Loan Servicer and the Borrower a statement setting forth in respect of the preceding calendar month:

(a) the amount withdrawn or transferred and the amount deposited within or on account of each Fund and Account under this Indenture, including the amount of Investment Income on each Fund and Account transferred to the Interest Account;

(b) the amount on deposit at the end of such month to the credit of each Fund and Account;

(c) a brief description of all obligations held as an investment of moneys in each Fund and Account;

(d) the amount applied to the purchase or redemption of Bonds and a description of the Bonds or portions of Bonds so purchased or redeemed; and

(e) any other information which the Borrower, the Credit Provider, the Loan Servicer or the Issuer may reasonably request.

No monthly statement for a Fund or Account need be rendered if no activity occurred in that Fund or Account during such month. Upon the written request of any Bondholder owning 25 percent or more in aggregate principal amount of Bonds then Outstanding, the Trustee, at the Borrower's expense, shall provide a copy of such statement to the Bondholder. All records and files pertaining to the Trust Estate will be open at all reasonable times during regular business hours of the Trustee to the inspection and audit of the Issuer, the Loan Servicer, the Construction Lender, the Borrower and the Credit Provider and their agents and representatives upon reasonable prior notice.

SECTION 5.15 Moneys Held for Particular Bonds. The amounts held by the Trustee for payment of the interest, premium, if any, principal or redemption price due on any date with respect to particular Bonds, pending such payment, will be set aside and held in trust by the Trustee for the Bondholders entitled to such payment. For the purposes of this Indenture such interest, premium, principal or redemption price, after the due date of payment, will no longer be considered to be unpaid.

SECTION 5.16 Nonpresentment of Bonds. In the event any Bond is not presented for payment when the principal of such Bond becomes due, either at maturity or at the date fixed for redemption of such Bond or otherwise, if amounts sufficient to pay such Bond have been deposited with the Trustee for the benefit of the owner of the Bond and have remained unclaimed for two years after such principal has become due and payable, such amounts, to the extent amounts are owed to the Credit Provider as set forth in a written statement of the Credit Provider addressed to the Trustee, will be paid to the Credit Provider, with any excess to be paid to the Borrower. Upon such payment, all liability of the Issuer and the Trustee to the holder of any Bond for the payment of such Bond will cease and be completely discharged. The obligation of the Trustee under this Section to pay any such amounts to the Credit Provider or the Borrower will be subject to any provisions of law applicable to the Trustee or to such amounts providing other requirements for disposition of unclaimed property.

SECTION 5.17 Disposition of Remaining Moneys. Provided that the rebate requirements referenced in the Tax Certificate are first satisfied, any amounts remaining in the Revenue Fund or the Principal Reserve Fund after payment in full of the principal of and interest and any premium on the Bonds will be applied to pay (i) **first**, to the Credit Provider any unpaid amounts certified by the Credit Provider to be due and owing to the Credit Provider, (ii) **second**, to the person or persons entitled to be paid, all other unpaid amounts required to be paid under this Indenture or the Financing Agreement, (iii) **third**, to the Construction Lender any unpaid amounts certified by the Construction Lender to be due and owing to the Construction Lender under the Construction Phase Credit Documents, and (iv) **fourth**, to the Borrower the balance upon the expiration or sooner cancellation or termination of the term of the Financing Agreement as provided in the Financing Agreement.

ARTICLE VI INVESTMENTS

SECTION 6.1 Investment Limitations. Moneys held as part of any Fund or Account shall be invested and reinvested in Permitted Investments. Permitted Investments shall have maturities corresponding to, or shall be available for withdrawal without penalty no later than, the dates upon which such moneys shall be needed for the purpose for which such moneys are held. Moneys on deposit in the (i) Interest Account shall be invested only in investments described in paragraphs (a), (b), (c), and (h) of the definition of Permitted Investments, (ii) Redemption Account shall be invested only in investments described in paragraphs (a) and (b) of the definition of Permitted Investments, with a term not exceeding the earlier of 30 days from the date of investment of such moneys or the date or dates that such moneys are anticipated to be required for redemption, (iii) Credit Facility Account and Bond Purchase Fund shall be held uninvested and (iv) Costs of Issuance Fund, until disbursed or returned to the Borrower pursuant to Section 5.8, shall be invested only in investments described in paragraph (h) of the definition of Permitted Investments. Permitted Investments shall be held by or under the control of the Trustee. All Investment Income from moneys held in all Funds and Accounts other than the Loan Fund, the Rebate Fund, the Costs of Issuance Fund (other than as provided below) and the Principal Reserve Fund, upon receipt, shall be deposited into the Interest Account. Investment Income from moneys held in the Loan Fund, the Rebate Fund, the Costs of Issuance Fund and the Principal Reserve Fund shall remain in the respective Fund where earned.

SECTION 6.2 Trustee's Authority and Responsibilities. The Trustee is authorized to sell and reduce to cash a sufficient amount of Permitted Investments whenever the cash balance is or will be insufficient to make a requested or required disbursement. The Trustee shall not be accountable for any depreciation in the value of any Permitted Investment or for any loss resulting from such sale. The Trustee may trade with itself and its Affiliates in the purchase and sale of securities for investments, and may transact purchases and sales through its investment department or through its Affiliates. The Trustee and its Affiliates may act as principal, agent, sponsor, advisor or depository with respect to any investments. All Permitted Investments shall be made by the Trustee in its name, as Trustee, at the written direction of the Borrower, subject to the limitations contained in this Indenture. If no direction is provided to the Trustee, the Trustee shall invest such moneys in investments described in paragraph (h) of the definition of Permitted Investments. In computing the amount in any Fund or Account, Permitted Investments if purchased at par shall be valued at principal cost plus accrued interest, or, if purchased at other than par, at principal cost plus amortized discount or less amortized premium (amortization to be on a straight-line basis to the date of stated maturity without regard to redemptions or repayments of principal which may occur prior to maturity) plus accrued interest. The Trustee shall take such actions as shall be necessary to assure that Permitted Investments purchased by it under this Indenture are held pursuant to the terms of this Indenture and are subject to the trusts and security interests created in this Indenture. The Issuer (and the Borrower by its execution of the Financing Agreement) acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Issuer or the Borrower the right to receive brokerage confirmations of security transactions as they occur, the Issuer and the Borrower specifically waive receipt of such confirmations to the extent permitted by law.

ARTICLE VII
REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE ISSUER

SECTION 7.1 Issuer's Representations and Warranties. The Issuer represents and warrants that:

(a) The Issuer is duly authorized under the Constitution and laws of the State, including the Act, to (i) issue the Bonds, (ii) execute and deliver this Indenture, the Financing Agreement, the Assignment and the Regulatory Agreement and to endorse the Note, (iii) assign its interest in the Financing Agreement (except the Reserved Rights) and (iv) pledge and assign the Trust Estate as set forth in this Indenture for the benefit of (A) the Bondholders, to secure the payment of the principal of and interest and any premium on the Bonds in accordance with the terms and provisions of this Indenture and the Bonds and (B) the Credit Provider to secure the payment of all amounts owing to the Credit Provider under the Credit Facility Documents.

(b) All actions on the part of the Issuer for the issuance, sale and delivery of the Bonds and for the execution and delivery of this Indenture, the Financing Agreement, the Assignment and the Regulatory Agreement and the endorsement of the Note have been or will be taken duly and effectively.

(c) The Bonds, together with all other indebtedness of the Issuer, are within all applicable debt limits.

(d) The Bonds will be valid and enforceable special obligations of the Issuer according to their terms, subject to bankruptcy and equitable principles.

SECTION 7.2 Issuer's Covenants. In addition to all other covenants and agreements of the Issuer contained in this Indenture or the Financing Agreement, the Issuer further covenants and agrees with the Bondholders and the Trustee as follows:

(a) Except as provided in Article XII, the Issuer shall not alter, modify or cancel, or agree to alter, modify or cancel, any agreement which relates to or affects the Security.

(b) Except as otherwise provided in this Indenture, the Financing Agreement, the Assignment or the Credit Facility Documents, the Issuer shall not sell, convey, mortgage, encumber or otherwise dispose of any portion of the Security or create or authorize to be created any debt, lien or charge thereon.

(c) At the expense of the Borrower, the Issuer shall cooperate with the Borrower in the Borrower's performing the Borrower's obligation to cause this Indenture, or any related instruments or documents relating to the assignment made by the Issuer under this Indenture to secure the Bonds, to be recorded and filed in the manner and in the places which may be required by law in order to preserve and protect fully the security of the holders of the Bonds and the rights of the Trustee hereunder.

SECTION 7.3 Limitations on Liability. Notwithstanding any other provision of this Indenture to the contrary:

(a) The obligations of the Issuer with respect to the Bonds are not general obligations of the Issuer but are special, limited obligations of the Issuer payable by the Issuer solely from the Security.

(b) Nothing contained in the Bonds or in this Indenture shall be considered as assigning or pledging any funds or assets of the Issuer other than the Trust Estate.

(c) The Bonds are not and will not be a debt of the State, the County of Los Angeles or of any other political subdivision or public agency of the State, and neither the State, the County of Los Angeles nor any other political subdivision of the State is or will be liable for the payment of the Bonds.

(d) Neither the faith and credit of the Issuer, the State, the County of Los Angeles nor of any other political subdivision or public agency of the State are pledged to the payment of the principal of and interest and any premium on the Bonds.

(e) No failure of the Issuer to comply with any term, condition, covenant or agreement in this Indenture or in any document executed by the Issuer in connection with the Mortgaged Property, or the issuance, sale and delivery of the Bonds shall subject the Issuer to liability for any claim for damages, costs or other charges except to the extent that the same can be paid or recovered from the Trust Estate.

(f) The Issuer shall not be required to advance any moneys derived from any source other than the Trust Estate for any of the purposes of this Indenture, any of the other Bond Documents or any of the Loan Documents, whether for the payment of the principal or redemption price of, or interest on, the Bonds, the payment of Third Party Fees, Fees and Expenses or administrative expenses or otherwise.

SECTION 7.4 Further Assurances. The Issuer, to the extent permitted by law, shall execute, acknowledge and deliver such supplemental indentures and other instruments and documents, and perform such further acts, as the Trustee or the Credit Provider may reasonably require to perfect, and maintain perfected, the security interest in the Trust Estate or to better assure, transfer, convey, pledge, assign and confirm to the Trustee or the Credit Provider all of its respective interest in the property described in this Indenture and the revenues, receipts and other amounts pledged by the Indenture. The Issuer shall cooperate to the extent necessary with the Borrower, the Trustee and the Credit Provider in their defenses of the Trust Estate and the Security against the claims and demands of all Persons. In addition to the assignment by the Issuer of its rights in the Trust Estate to the Trustee, the Issuer hereby acknowledges that in order to more fully protect, perfect and preserve the rights of the Trustee, the Borrower and the Credit Provider in the Trust Estate, the Issuer grants to the Trustee a security interest in the Trust Estate and the proceeds thereof.

SECTION 7.5 Enforcement. The Issuer agrees that the Trustee and, so long as a Credit Facility provided by the Credit Provider continues in effect, the Credit Provider, in its name or in the name of the Issuer, may enforce against the Borrower or any other Person any rights of the Issuer under the Bond Documents (other than the Reserved Rights) whether or not the Issuer is in default under this Indenture or under the Financing Agreement, but neither the

Trustee nor the Credit Provider will be deemed to have assumed any of the obligations of the Issuer under the Bond Documents. The Issuer shall fully cooperate with the Trustee or the Credit Provider in the enforcement by the Trustee or the Credit Provider of any such rights. At the request of the Trustee or the Credit Provider, the Issuer, upon being indemnified to its reasonable satisfaction against all liability, costs and expenses which may be incurred in connection with such enforcement, shall in its name commence legal action or take such other actions as the Trustee or the Credit Provider reasonably requests to enforce the rights of the Issuer, the Trustee or the Credit Provider under or arising from the Bonds or the Bond Documents.

SECTION 7.6 Tax Covenants. The Issuer agrees:

(a) it shall neither make nor direct the Trustee to make any investment or other use of the proceeds of the Bonds that would cause the Bonds to be “arbitrage bonds” as that term is defined in Section 148(a) of the Code and that it shall comply with the requirements of the Code throughout the term of the Bonds.

(b) it (i) shall take, or use its best efforts to require to be taken, all actions that may be required of the Issuer for the interest on the Bonds to be and remain not included in gross income for federal income tax purposes and (ii) shall not take or authorize to be taken any actions within its control that would adversely affect that status under the provisions of the Code.

(c) it shall enforce or cause to be enforced all obligations of the Borrower under the Regulatory Agreement in accordance with its terms and seek to cause the Borrower to correct any violation of the Regulatory Agreement within a reasonable period after any such violation is first discovered.

In furtherance of the covenants in this Section, the Issuer and the Borrower shall execute, deliver and comply with the provisions of the Tax Certificate, which is by this reference incorporated into this Indenture and made a part of this Indenture, and by its acceptance of this Indenture the Trustee acknowledges receipt of the Tax Certificate and acknowledges its incorporation into this Indenture by this reference. The Trustee agrees that in those instances where it exercises discretion over the investment of funds, it shall not knowingly make any investment inconsistent with subsection (a).

**ARTICLE VIII
CREDIT FACILITY; ALTERNATE CREDIT FACILITY;
LETTER OF CREDIT**

SECTION 8.1 Acceptance of the Credit Facility. The Trustee shall hold the Credit Facility and shall enforce in its name all rights of the Trustee and all obligations of the Credit Provider under the Credit Facility for the benefit of the Bondholders. The Trustee shall not assign or transfer the Credit Facility except to a successor Trustee under this Indenture. The Issuer and the Trustee acknowledge that the obligations of Fannie Mae as the Credit Provider under the initial Credit Facility are not backed by the full faith and credit of the United States of America, but by the credit of Fannie Mae, a federally-chartered, stockholder owned corporation.

SECTION 8.2 Requests for Advances Under Credit Facility. The Trustee shall request Advances under the Credit Facility in accordance with its terms and cause the proceeds of each Advance to be applied so that full and timely payments are made on each date on which payment of principal, interest or purchase price is due on any Bond or any payment of the Issuer's Fee is due and not paid by the Borrower pursuant to the Financing Agreement. The Trustee shall not request, and shall not apply the proceeds of, any Advance to pay (i) principal of, interest on or the purchase price of, any Pledged Bond or any Bond known by the Trustee to be held by the Borrower or any Affiliate of the Borrower, (ii) premium that may be payable upon the redemption of any of the Bonds or (iii) interest that may accrue on any of the Bonds on or after the maturity of such Bond. Prior to requesting an Advance to pay principal of or interest on the Bonds on an Interest Payment Date, the Trustee shall determine the amount necessary to make such payment of principal or interest.

SECTION 8.3 Return of Payments Under the Credit Facility. In the event the Trustee receives an Advance from the Credit Provider on account of any Tendered Bond and thereafter the Trustee receives remarketing proceeds upon the remarketing of such Tendered Bond, then the Trustee shall promptly reimburse the Credit Provider with such funds to the extent of the amount so paid by the Credit Provider as a reimbursement on behalf of the Borrower.

SECTION 8.4 Alternate Credit Facility. Subject to the terms of the Credit Facility Documents, the Trustee shall accept any Alternate Credit Facility delivered to the Trustee in substitution for the Credit Facility then in effect if:

- (a) the Alternate Credit Facility meets the requirements of Section 2.9;
- (b) the Substitution Date for the Alternate Credit Facility is an Interest Payment Date during a Weekly Variable Rate Period or an Adjustment Date which immediately follows a Reset Period;
- (c) the Alternate Credit Facility is effective on and from the Substitution Date for such Alternate Credit Facility; and
- (d) the Trustee receives on or prior to the effective date of the Alternate Credit Facility (i) an Opinion of Counsel to the Credit Provider issuing the Alternate Credit Facility, in form and substance satisfactory to the Issuer and the Trustee, relating to the due authorization and issuance of the Alternate Credit Facility and its enforceability and (ii) an opinion of Bond Counsel to the effect that the substitution of such Alternate Credit Facility will not adversely affect the exclusion from gross income, for federal income tax purposes, of the interest payable on the Bonds.

The Trustee shall give notice to the Bondholders of the substitution by such Alternate Credit Facility for the Credit Facility then in effect as provided in Section 4.2. On the Substitution Date, the Trustee shall draw, if necessary, on the Credit Facility being replaced and shall not surrender such Credit Facility until all requests thereon have been honored.

SECTION 8.5 Extension of Credit Facility. In the event the term of any Alternate Credit Facility is extended, the Trustee must receive, not later than the Extension Date,

(i) the commitment relating to such extension of the Alternate Credit Facility; and (ii) an Opinion of Counsel for the Alternate Credit Provider, in substantially the form of the Opinion of Counsel delivered to the Trustee upon the issuance of such Alternate Credit Facility. The Trustee shall provide a copy of the commitment to extend and the extension of the credit facility upon receipt thereof to the Rating Agency and, upon request, to any Bondholder. Upon the failure of the Borrower to furnish the Trustee with either a satisfactory commitment to extend the Alternate Credit Facility or an Alternate Credit Facility pursuant to Section 8.4 and the accompanying Opinion of Counsel on or prior to each Extension Date, the Bonds shall be subject to mandatory tender pursuant to Section 4.2.

SECTION 8.6 Limitations on Rights of Credit Provider. Notwithstanding anything contained in this Indenture to the contrary, all provisions in this Indenture regarding consents, approvals, directions, waivers, appointments, requests or other actions by the Credit Provider shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if the Credit Provider were not mentioned in such provisions (i) if a Wrongful Dishonor has occurred and is continuing, or (ii) after the Credit Facility ceases to be valid and binding on the Credit Provider for any reason, or is declared to be null and void by final judgment of a court of competent jurisdiction; provided, however, that the Credit Provider's right to notices and the payment of amounts due to the Credit Provider shall continue in full force and effect. The foregoing shall not affect any other rights of the Credit Provider.

SECTION 8.7 References to Credit Provider When No Credit Facility Is In Effect. All provisions of this Indenture relating to the rights of the Credit Provider shall be of no force and effect if there is no Credit Facility in effect and there are no Pledged Bonds and all amounts owing to the Credit Provider under the Credit Facility Documents have been paid. In such event, all references to the Credit Provider shall have no force or effect.

SECTION 8.8 Certain Notices to the Credit Provider and the Loan Servicer. The Trustee and Issuer shall promptly notify the Construction Lender, the Credit Provider and the Loan Servicer of any of the following as to which it has actual knowledge: (i) the occurrence of any Event of Default under this Indenture or under any of the other Transaction Documents, or any event which, with the passage of time or service of notice, or both, would constitute such an Event of Default, specifying the nature and period of existence of such event and the actions being taken or proposed to be taken with respect to such event, (ii) an Act of Bankruptcy or a bankruptcy filing by or against the Borrower and (iii) the making of any claim in connection with seeking the avoidance as a preferential transfer ("**Preference Claim**") of any payment of principal of, or interest on, the Loan.

SECTION 8.9 Credit Provider to Control Insolvency Proceedings. Each Bondholder, by its purchase of Bonds, the Trustee and the Issuer agree that the Credit Provider may at any time during the continuation of an insolvency proceeding of the Issuer or the Borrower ("**Insolvency Proceeding**") direct all matters relating to the Bonds in any such Insolvency Proceeding, including, without limitation, (i) all matters relating to any Preference Claim, (ii) the direction of any appeal of any order relating to any Preference Claim and (iii) the posting of any surety, supersedeas or performance bond pending any such appeal. In addition, and without limitation of the foregoing, the Credit Provider shall be subrogated to the rights of

the Issuer, the Trustee and the Bondholders in any Insolvency Proceeding to the extent it has performed its payment obligations under the Credit Facility, including any rights of any party to an adversary proceeding action with respect to any court order issued in connection with any such Insolvency Proceeding and rights pertaining to the filing of a proof of claim, voting on a reorganization plan and rights to payment thereunder.

SECTION 8.10 Construction Phase Financing Agreement; Assignment of Rights to Construction Lender.

(a) **Assignment of Rights.** The Issuer and the Trustee acknowledge that, prior to the Conversion Date, and subject to the applicable terms and conditions of the Construction Phase Financing Agreement, the Construction Lender may, by assignment from the Credit Provider, succeed to the interests of the Credit Provider under the Bond Documents and the Loan Documents with the authority to exercise the rights otherwise granted to the Credit Provider under the Bond Documents and the Loan Documents.

(b) **Amounts Owed to Construction Lender.** Any references in this Indenture to amounts owed to the Credit Provider under any Credit Facility Document shall, on and after the effective date of the assignment referred in Section 8.10(a), be deemed to refer to amounts owed to the Construction Lender under the Construction Phase Credit Documents.

(c) **Termination of References to the Construction Lender.** From and after the Conversion Date or the date that the Trustee receives written notice from the Credit Provider or the Loan Servicer that the Letter of Credit is no longer in full force and effect or has been wrongfully dishonored, all references in this Indenture to the Construction Lender shall be of no further force or effect and shall be disregarded for all purposes of this Indenture.

(d) **Credit Provider Succeeds to Rights of Construction Lender.** In the event that the Credit Provider notifies the Trustee that either (i) the Construction Lender has failed to perform its obligations under the Construction Phase Financing Agreement or (ii) the provider of the Letter of Credit has failed to honor a draw under the Letter of Credit upon proper presentation of documents which conform to the terms and conditions of the Letter of Credit, the Construction Lender shall have no rights under this Indenture, all of its former rights shall immediately become rights of the Credit Provider and all references in this Indenture to the Construction Lender shall be read as references to the Credit Provider. If the Credit Provider succeeds to the rights of the Construction Lender, the Credit Provider shall have the right in its discretion to appoint a third party to exercise part or all of such rights. The Credit Provider shall provide the Trustee, the Issuer and the Borrower with written notice of the selection of any such third party. In addition, the "Authorized Construction Lender Representative" shall become the person designated in writing by the Credit Provider. Such person need not be an employee of the Credit Enhancer and may be an employee of the third party appointed by the Credit Enhancer to exercise its rights.

**ARTICLE IX
DISCHARGE OF LIEN**

SECTION 9.1 Discharge of Lien and Security Interest.

(a) **Discharge.** Upon satisfaction of the conditions set out in subsection (b), the Trustee shall (i) cancel and discharge this Indenture and the pledge and assignment of the Security, (ii) execute and deliver to the Issuer such instruments in writing prepared by the Issuer or its counsel and provided to the Trustee and the Credit Provider as may be required to cancel and discharge this Indenture and the pledge and assignment of the Trust Estate, (iii) reconvey, assign and deliver to the Issuer so much of the Trust Estate as may be in its possession or subject to its control (except for (A) moneys and Government Obligations held for the purpose of paying Bonds and (B) moneys and Investments held in the Rebate Fund for payment to the United States Government) who shall, in turn, convey, assign and deliver the remaining Trust Estate to the Borrower and (iv) return the Credit Facility to the Credit Provider.

(b) **Conditions to Discharge.** The conditions precedent to the cancellation and discharge of this Indenture and the other acts described in subsection (a) are (i) payment in full of the Bonds, (ii) payment of the Trustee's Annual Fee and the Trustee's ordinary costs and expenses under this Indenture, (iii) receipt by the Trustee of a written statement from the Credit Provider stating that all obligations owed to the Credit Provider under the Credit Facility Documents have been fully paid, (iv) payment of all Extraordinary Items, (v) receipt by the Trustee of a written statement from the Issuer stating that all amounts owed to the Issuer in respect of Reserved Rights have been fully paid, (vi) return of the Credit Facility to the Credit Provider, and (vii) receipt by the Trustee of an Opinion of Counsel, at the expense of the Borrower, stating that all conditions precedent to the satisfaction and discharge of this Indenture have been satisfied.

(c) **Survival of Rights and Powers.** The Reserved Rights of the Issuer and the rights and powers granted to the Trustee with respect to the payment, transfer and exchange of Bonds shall survive the cancellation and discharge of this Indenture.

SECTION 9.2 Payment of Outstanding Amounts. If the Bonds are paid in full, but any one or more of the other conditions precedent set out in Section 9.1(b) are not satisfied because an amount has not been paid, the Trustee, prior to cancellation and discharge of this Indenture, shall pay to the persons listed below, in the strict order set out below, the amounts required to satisfy those conditions precedent:

(a) **Issuer's Fee and Trustee's Annual Fee and Ordinary Costs and Expenses.** If any portion of the Issuer's Fee or the Trustee's Annual Fee or ordinary costs and expenses of the Trustee remain unpaid, the Trustee shall pay to the Issuer or itself, as the case may be, so much of the Trust Estate as will fully pay such unpaid amounts. No Extraordinary Items may be included under this subsection (a).

(b) **Credit Provider.** If the Trustee receives a written statement from the Credit Provider stating that moneys are owed to the Credit Provider under the Credit Facility Documents or the Loan Documents, including obligations in respect of reimbursement of funds advanced by the Credit Provider to the Trustee for application to the payment of Remarketing Expenses, the Trustee shall pay to the Credit Provider so much of the remaining Trust Estate as will fully pay all amounts due and owing to the Credit Provider, as determined by the Credit Provider. The reimbursement from the Trust Estate of amounts advanced by the Credit Provider for application to the payment of Remarketing Expenses will be made with interest at a rate

equal to the Prime Rate (as that term is defined in Section 4.2 of the Reimbursement Agreement) plus two percentage points, from the date or dates of such advances through the date of such reimbursement. The Trustee is authorized to rely on the written statement of the Credit Provider as to the amount of such advances and interest accrued on such advances.

(c) **Trustee.** If any Extraordinary Items have not been paid to the Trustee, the Trustee shall pay to itself so much of the remaining Trust Estate as will fully pay all amounts owing to the Trustee for Extraordinary Items.

(d) **Issuer.** If the Trustee receives a written statement from the Issuer stating that moneys are owed to the Issuer in respect of the Reserved Rights, the Trustee shall pay to the Issuer so much of the remaining Trust Estate as will fully pay all amounts owing to the Issuer in respect of the Reserved Rights.

(e) **Construction Lender.** If the Trustee receives a written statement from the Construction Lender stating that moneys are owed to the Construction Lender under the Construction Phase Credit Documents, the Trustee shall pay to the Construction Lender so much of the remaining Trust Estate as will fully pay all amounts due and owing to the Construction Lender.

SECTION 9.3 Defeasance.

(a) **Provision for Payment of Bonds.** So long as the Bonds are in a Reset Rate Mode or the Fixed Rate Mode, any Bond will be deemed paid within the meaning of Section 9.1 if each of the conditions set out in this Section is satisfied. The Bonds may not be defeased within the meaning of this Section if the Bonds are in the Weekly Variable Rate Mode. The conditions are:

(1) The Issuer or the Borrower deposits with the Trustee (A) Available Moneys or (B) Government Obligations which are not subject to early redemption and which are purchased with Available Moneys, of such maturities and interest payment dates and bearing such interest as will be sufficient, without further investment or reinvestment of either the principal amount of such Government Obligations or the interest earnings on Government Obligations (the earnings to be held in trust also), together with any Available Moneys, for the payment on their respective maturity dates, or redemption dates prior to maturity, of the principal of such Bonds and redemption premium, if any, and interest to accrue on such Bonds to such maturity or redemption dates.

(2) The Trustee receives, at the expense of the Borrower, and may rely upon: (A) a verification report of an independent certified public accountant or other firm nationally recognized in the certification of cash flow analyses; and (B) an Opinion of Bond Counsel to the effect that such deposit with the Trustee and consequent defeasance of the Bonds does not adversely affect the excludability from gross income for federal income tax purposes of the interest payable on the Bonds.

(3) All Third Party Fees and Fees and Expenses due or to become due have been paid or sufficient additional moneys to make the required payments have been irrevocably deposited with the Trustee.

(4) For any such Bonds to be redeemed on any date prior to their maturity, the Trustee has received in form satisfactory to it irrevocable instructions to redeem such Bonds on a date on which the Bonds are subject to redemption, and either evidence satisfactory to the Trustee that all redemption notices required by this Indenture have been given or irrevocable power authorizing the Trustee to give such redemption notices.

(5) If the Bonds are in a Reset Rate Mode, the Bonds will be redeemed on or before the last day of the current Reset Period.

The Trustee shall redeem the Bonds specified by such irrevocable instructions on the date specified by such irrevocable instructions.

(b) **Defeased Bonds No Longer Outstanding.** At such times as a Bond is deemed to be paid under this Indenture, it will no longer be secured by or entitled to the benefits of this Indenture, except for the purposes of payment in accordance with this Indenture.

(c) **Release of Certain Income.** All income from all Government Obligations in the hands of the Trustee pursuant to this Section which is identified by an independent certified public accountant or other firm nationally recognized in the certification of cash flow analyses as not required for the payment of the Bonds and interest on such income with respect to which such moneys have been so deposited will be deposited with the Trustee as and when realized and collected for use and application as are other moneys deposited with the Trustee.

(d) **Particular Bonds.** Notwithstanding any other provision of this Indenture to the contrary, all moneys or Government Obligations set aside and held in trust pursuant to the provisions of this Article IX for the payment of Bonds (including accrued interest on such Bonds) shall be applied to and used solely for the payment of the particular Bonds (including interest on such Bonds) with respect to which such moneys or Government Obligations have been so set aside in trust.

ARTICLE X DEFAULT PROVISIONS AND REMEDIES

SECTION 10.1 Events of Default; Preliminary Notice.

(a) **Events of Default.** Each of the following constitutes an Event of Default under this Indenture:

(1) default in the payment when due and payable of any interest due on any Bond (other than a Pledged Bond) or, unless the Construction Lender specifies otherwise by written notice to the Trustee, on any Special Purchase Bond;

(2) default in the payment when due and payable of (A) the principal of or any redemption premium on any Bond (other than a Pledged Bond) or, unless the Construction Lender specifies otherwise by written notice to the Trustee, Special Purchase Bond at maturity or upon any redemption, or (B) the purchase price of any Tendered Bond (other than a Pledged Bond);

(3) written notice to the Trustee from the Credit Provider of a default by the Issuer in the observance or performance of any covenant, agreement, warranty or representation on the part of the Issuer included in this Indenture or in the Bonds (other than an Event of Default set forth in subsection (1) or (2) above) and the continuance of such default for a period of 30 days after the Trustee receives such notice; or

(4) an Act of Bankruptcy.

(b) **Preliminary Notice.** The Trustee shall immediately notify the Issuer, the Loan Servicer, the Borrower, the Construction Lender and the Credit Provider after the Trustee obtains knowledge or receives notice of the occurrence of an Event of Default under this Indenture or an event which would become such an Event of Default with the passage of time, the giving of notice or both, identifying the paragraph in Section 10.1(a) under which the Event of Default has occurred or may occur.

(c) **Non-Default and Prohibition of Mandatory Redemption Upon Tax Event.** The occurrence of any event (“**Tax Event**”) which results in the interest payable on the Bonds being includable, for federal income tax purposes, in the gross income of the Bondholders, including any violation of any provision of the Regulatory Agreement or any of the other Bond Documents, shall not (i) directly or indirectly constitute an Event of Default under this Indenture or permit any party (other than the Credit Provider) to accelerate, or require acceleration of, the Loan or the Bonds, unless the Credit Provider provides written notice to the Trustee that such Tax Event constitutes a default under the Reimbursement Agreement, or (ii) give rise to a mandatory redemption of the Bonds, or (iii) give rise to the payment to the Bondholders of any amount, denoted as “supplemental interest,” “additional interest,” “penalty interest,” “liquidated damages,” “damages” or otherwise, in addition to the amounts payable to the owners of the Bonds prior to the occurrence of the Tax Event. Nothing contained in this subsection will be deemed to amend or supplement the terms of the Loan Documents. Promptly upon determining that a Tax Event has occurred, the Issuer or the Trustee, by notice in writing to the Construction Lender, the Credit Provider, the Loan Servicer, all Registered Owners of the Bonds and the Remarketing Agent, shall state that a Tax Event has occurred and whether the Tax Event is cured, curable within a reasonable period or incurable. Notwithstanding the availability of the remedy of specific performance to cure a Tax Event that is curable within a reasonable period, neither the Issuer nor the Trustee shall have, upon the occurrence of a Tax Event, any right or obligation to cause or direct acceleration of the Bonds or the Loan, to enforce the Note or to foreclose the Security Instrument, to accept a deed to the Mortgaged Property in lieu of foreclosure, or to effect any other comparable conversion of the Mortgaged Property.

SECTION 10.2 Acceleration.

(a) **Acceleration.** Upon the occurrence of any Event of Default under this Indenture, the Trustee may, upon receiving the prior written consent of the Credit Provider, and must, upon the written direction of the Credit Provider requiring that the Bonds be accelerated pursuant to this subsection, by written notice to the Issuer, the Borrower, the Credit Provider, the Construction Lender and the Loan Servicer, declare the principal of all Bonds and the interest accrued, and to accrue, on the Bonds to the date of declaration immediately due and payable.

(b) **Notice.** Upon any decision to accelerate payment of the Bonds, the Trustee shall notify the Construction Lender and the Bondholders of the declaration of acceleration, that, in the event of acceleration pursuant to Section 10.2(a)(2), interest on the Bonds will cease to accrue upon such declaration, and payment of the Bonds will be made upon presentment of the Bonds at the Designated Office of the Trustee. Such notice shall be sent by registered mail or overnight delivery service, postage prepaid, or, at the Trustee's option, may be given by Electronic Means to each Registered Owner of Bonds at such Registered Owner's last address appearing in the Bond Register. Any defect in or failure to give notice of such declaration will not affect the validity of such declaration.

(c) **Draw on Credit Facility.** Immediately upon acceleration of the Bonds, the Trustee shall request an Advance under the Credit Facility in accordance with its terms.

SECTION 10.3 Other Remedies. Upon the occurrence and continuance of an Event of Default under this Indenture, the Trustee may, with or without taking action under Section 10.2, but only with the prior written consent of the Credit Provider, and must at the direction of the Credit Provider if the Event of Default occurs under Section 10.1(a)(3), (4) or (5), pursue any of the following remedies:

(1) an action in mandamus or other suit, action or proceeding at law or in equity (A) to enforce the payment of the principal of and interest and any premium on the Bonds, (B) for the specific performance of any covenant or agreement contained in this Indenture, the Financing Agreement or the Regulatory Agreement or (C) to require the Issuer to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act;

(2) the liquidation of the Trust Estate; or

(3) an action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders and to execute any other papers and documents and do and perform any and all such acts and things as may be necessary or advisable in the opinion of the Trustee in order to have the respective claims of the Bondholders against the Issuer allowed in any bankruptcy or other proceeding.

Subject to the provisions of Section 10.7 and the requirement, if any, that the Credit Provider consent in writing to the exercise by the Trustee of any remedy, upon the occurrence and continuance of an Event of Default under this Indenture, the Trustee shall exercise such of the rights and powers conferred by this Section as the Trustee, being advised by

counsel, deems most effective to enforce and protect the interests of the Bondholders and, unless a Wrongful Dishonor has occurred and is continuing, the Credit Provider.

SECTION 10.4 Preservation of Security and Remedies if Payment Under Credit Facility is Not Made or is Insufficient; Rights of Bondholders. Upon the occurrence and during the continuance of a Wrongful Dishonor, the Trustee may proceed, and upon the written request of the holders of not less than 25 percent of the aggregate principal amount of the Bonds Outstanding and the receipt of indemnity reasonably satisfactory to the Trustee shall proceed, to protect and enforce its rights and the rights of the Bondholders under this Indenture by such suits, actions or special proceedings in equity or at law, whether for the specific performance of any covenant or agreement, or in aid of the execution of any power granted in this Indenture or by the Act, or for the enforcement of any legal or equitable right or remedy, as the Trustee, being advised by counsel, deems most effective to protect and enforce such rights or to perform any of its duties under this Indenture.

SECTION 10.5 Remedies Not Exclusive; Delay or Omission. No right or remedy conferred upon or reserved to the Trustee (or to the Bondholders) is intended to be exclusive of any other right or remedy, but each and every such right and remedy will be cumulative and in addition to any other right or remedy given to the Trustee or to the Bondholders under this Indenture or under the Financing Agreement, the Regulatory Agreement or the Credit Facility or now or later existing at law or in equity. No delay or omission to exercise any right or remedy provided in this Indenture will impair any such right or remedy or be construed to be a waiver of any Event of Default or acquiescence in it. Every such right and remedy may be exercised from time to time as often as may be deemed expedient.

SECTION 10.6 Waiver. Subject to the conditions precedent set out below, (i) the Trustee may waive, (ii) the Trustee shall waive if directed to do so by the Credit Provider and the Construction Lender in writing, and (iii) Bondholders owning not less than 51 percent in aggregate principal amount of Bonds then Outstanding may waive, by written notice to the Trustee, any Event of Default under this Indenture and its consequences and rescind any declaration of acceleration of maturity of principal. The conditions precedent to any waiver are:

(a) unless waiver is directed by the Credit Provider and the Construction Lender, the Credit Provider and the Construction Lender consent to such waiver in writing;

(b) the principal and interest on the Bonds in arrears, together with interest thereon (to the extent permitted by law) at the applicable rate or rates of interest borne by the Bonds has been paid or provided for by the Borrower in Available Moneys or by the Credit Provider and all fees and expenses of the Trustee have been paid or provided for by the Borrower or the Credit Provider; and

(c) after the waiver, the Credit Facility remains in effect in an amount equal to the aggregate principal amount of the Bonds Outstanding (other than Pledged Bonds) plus the Interest Requirement, provided, however, that such waiver will be permitted without the Credit Facility remaining in effect if (i) the Issuer consents to the waiver, (ii) the Rating Agency then rating the Bonds is notified and the Trustee gives written notice to the Bondholders that the

ratings on the Bonds may be reduced or withdrawn upon the occurrence of such waiver, and (iii) 100 percent of the Bondholders consent to the waiver.

Upon any such waiver, the default or Event of Default shall be deemed cured and shall cease to exist for all purposes and the Issuer, the Borrower, the Trustee and the Bondholders will be restored to their former positions and rights under this Indenture. No waiver of any default or Event of Default shall extend to or affect any subsequent default or Event of Default or shall impair any right or remedy consequent thereto.

SECTION 10.7 Rights of the Credit Provider and the Bondholders to Direct Proceedings; Rights and Limitations Applicable to Bondholders, Issuer and Trustee.

(a) **Rights to Direct Proceedings.** Notwithstanding anything contained in this Indenture to the contrary, the Credit Provider itself or Bondholders owning not less than 51 percent in aggregate principal amount of Bonds then Outstanding, but only with the prior written consent of the Credit Provider, shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture or any other proceedings under this Indenture, provided, however, that such direction will not be otherwise than in accordance with the provisions of law and of this Indenture, and provided that the Trustee will be indemnified to its reasonable satisfaction (except for actions required under Section 10.2(b)).

(b) **Limitations on Bondholders' Rights.** No Bondholder has or shall have the right to enforce the provisions of this Indenture or the Financing Agreement, or to institute any proceeding in equity or at law for the enforcement of this Indenture or the Financing Agreement, or to take any action with respect to an Event of Default under this Indenture or an Event of Default under the Financing Agreement, or to institute, appear in or defend any suit or other proceeding with respect to this Indenture or the Financing Agreement upon an Event of Default unless (i) such Event of Default is a Wrongful Dishonor, (ii) such Bondholder has given the Trustee, the Issuer, the Credit Provider, the Construction Lender, the Loan Servicer and the Borrower written notice of the Event of Default, (iii) the holders of not less than 51 percent in aggregate principal amount of Bonds then Outstanding have requested the Trustee in writing to institute such proceeding, (iv) the Trustee has been afforded a reasonable opportunity to exercise its powers or to institute such proceeding, (v) the Trustee has been offered reasonable indemnity, where required, and (vi) the Trustee has thereafter failed or refused to exercise such powers or to institute such proceeding within a reasonable period of time. No Bondholder has or shall have any right in any manner whatever to affect, disturb or prejudice the pledge of revenues or of any other moneys, Funds, Accounts or securities under this Indenture. Except as provided in this subsection, no Bondholder has or shall have the right, directly or indirectly, individually or as a group, to seek to enforce, collect amounts available under, or otherwise realize on, the Credit Facility.

SECTION 10.8 Discontinuance of Proceedings. If the Trustee or any Bondholder has instituted any proceeding or remedy under this Indenture, and such proceedings have been discontinued or abandoned for any reason, or have been determined adversely, then and in every such case the Issuer, the Credit Provider and the Trustee will be restored to their

former positions and rights under this Indenture, and all rights, remedies, powers, duties and obligations of the Issuer, the Trustee and the Credit Provider shall continue as if no such proceedings had been taken, subject to the limits of any adverse determination.

SECTION 10.9 Possession of Bonds. All rights under this Indenture or upon any of the Bonds enforceable by the Trustee may be enforced by the Trustee without the possession of any of the Bonds, or the production of the Bonds at trial or other proceedings. Any suit, action or proceeding instituted by the Trustee may be brought in its name for itself or as representative of the Bondholders without the necessity of joining Bondholders as parties, and any recovery resulting from such proceedings shall, subject to Section 10.10, be for the ratable benefit of the Bondholders.

SECTION 10.10 Application of Moneys. Amounts derived from payments under the Credit Facility shall be deposited into the Credit Facility Account and applied solely to pay the principal of and interest on the Bonds. Amounts on deposit in the Bond Purchase Fund shall be applied solely to pay the purchase price of the Bonds. All other moneys received by the Trustee pursuant to any action taken under this Article X shall be deposited into the Interest Account and the Redemption Account, as applicable, after payment of the ordinary costs and expenses of the Trustee. The balance of such moneys, less such amounts as the Trustee determines may be needed for possible use in paying future fees and expenses and for the preservation and management of the Mortgaged Property (as identified by the Credit Provider), shall be applied as set out in the following subsections.

(a) **Principal on Bonds Not Declared Due and Payable.** Unless the principal on all Bonds has become or been declared due and payable, all such moneys will be applied:

First - to the payment of all interest then due on the Bonds, in the order of the maturity of such interest and, if the amount available shall not be sufficient to pay in full said amount, then to the payment ratably, of the amounts due, without any discrimination or privilege;

Second - to the payment of the unpaid principal of any of the Bonds which have become due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to this Indenture), in the order of due dates, with interest upon the principal amount of the Bonds from the respective dates upon which they become due at the rate or rates borne by the Bonds, to the extent permitted by law, and, if the amount available shall not be sufficient to pay in full the principal of such Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled to such payment without any discrimination or privilege;

Third - to the payment of amounts owed to the Credit Provider under the Credit Facility Documents and the Loan Documents, and then to any amounts due to the Trustee for Extraordinary Items, for this purpose including the costs and expenses

of any proceedings resulting in the collection of such moneys and of advances incurred or made by the Trustee.

(b) **Principal of Bonds Declared Due and Payable.** If the principal of all the Bonds has become or been declared due and payable, all such moneys shall be applied first, to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably according to the amounts due respectively for principal and interest to the persons entitled to payment, until all such principal and interest has been paid; second, to pay the Credit Provider amounts owed to it under the Credit Facility Documents and the Loan Documents; and third, to pay the Construction Lender amounts owed to it under the Construction Phase Credit Documents as specified by the Construction Lender to the Trustee in writing, and fourth, to any other amounts due and payable under this Indenture.

(c) **General.** Whenever moneys are to be applied pursuant to this Section, such moneys shall be applied at such times, and from time to time, as the Trustee determines, having due regard for the amount of such moneys available for application, the likelihood of additional moneys becoming available for such application in the future, and potential expenses relating to the exercise of any remedy or right conferred on the Trustee by this Indenture. Whenever the Trustee applies such moneys, it shall fix the date (which will be an Interest Payment Date unless it deems an earlier date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue, unless interest has already ceased to accrue in accordance with Section 10.2(b). The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the owner of any Bond until such Bond is presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

ARTICLE XI THE TRUSTEE AND TENDER AGENT

SECTION 11.1 Appointment of Trustee; Duties. The Trustee is appointed and agrees to act in such capacity and to perform the duties of the Trustee under this Indenture, the Financing Agreement, the Assignment and the Regulatory Agreement upon the express terms and conditions of this Indenture.

(a) **Attorneys, Agents or Receivers.** The Trustee may execute any of its trusts or powers under this Indenture and perform any of its duties by or through attorneys, agents or receivers. The Trustee shall be entitled to advice of counsel concerning all matters of trust under this Indenture and its duties under this Indenture. The Trustee may in all cases pay such reasonable compensation to such attorneys, agents and receivers and shall be entitled to reimbursement from the Borrower for all such compensation paid. The Trustee may act upon the opinion or advice of counsel, accountants, or such other professionals as the Trustee deems necessary and selected by it in the exercise of reasonable care. The Trustee shall not be responsible for any loss or damage resulting from any action or nonaction based on its good faith

reliance upon such opinion or advice which is not contrary to the express terms of this Indenture, any of the other Bond Documents or the Loan Documents.

(b) **Limitation of Responsibility.** The Trustee shall not be responsible for any recital in this Indenture (other than Recital L) or in the Bonds (other than in the certificates of authentication on the Bonds), or for insuring the Mortgaged Property, or for the sufficiency of any insurance, or for collecting any insurance moneys, or for the validity of this Indenture or of any supplements to this Indenture or instruments of further assurance, or for the sufficiency of the security for the Bonds issued under this Indenture or intended to be secured by this Indenture, or for the value or condition of or title to the Mortgaged Property or the Security. The Trustee may require (but shall be under no duty to require) of the Borrower full information and advice as to the performance of the covenants, conditions and agreements aforesaid as to the condition of the Mortgaged Property. The Trustee shall not be liable for any loss suffered in connection with any investment of amounts made by it in accordance with this Indenture. The Trustee is not accountable for the use (i) of any Bonds delivered in accordance with instructions of the Issuer, (ii) by the Borrower of the proceeds of the Loan, or (iii) for the use or application of any moneys paid out by the Trustee in accordance with this Indenture.

(c) **Reliance.** The Trustee shall be protected in acting upon any Opinion of Counsel, notice, request, consent, direction, requisition, certificate, order, affidavit, letter, or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons and which is not contrary to the express terms of this Indenture, the other Bond Documents or the Loan Documents. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the owner of any Bond as shown on the Bond Register will be conclusive and binding upon all future owners or holders of the same Bonds and upon Bonds issued in exchange therefor or in place of such Bonds.

(d) **Right Not Duty Until Undertaken.** The permissive right of the Trustee to do things enumerated in this Indenture or in the other Bond Documents to which the Trustee is a party shall not be construed as duties until specifically undertaken by the Trustee. Prior to an Event of Default under this Indenture, the Trustee shall only be responsible for the performance of the duties expressly set forth in this Indenture and in the other Bond Documents to which it is a party and shall not be answerable for other than its negligence or willful misconduct in the performance of those express duties.

(e) **No Personal Liability.** The Trustee shall not be personally liable for any debts contracted or for damages to persons or to personal property injured or damaged, or for salaries or nonfulfillment of contracts, relating to the Mortgaged Property.

(f) **No Bond or Surety Required.** The Trustee shall not be required to give any bond or surety in respect of the execution of its trusts and powers or otherwise in respect of the premises.

(g) **Security or Indemnity Bond.** Before taking any action requested by Bondholders under Article X (except for acceleration of the Bonds or seeking payment pursuant to Section 10.3), the Trustee may require reasonably satisfactory security or an indemnity bond

reasonably satisfactory to it from such Bondholders for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its own negligence or willful misconduct by reason of any such action so taken.

(h) **Not Bound to Inquire.** The Trustee is not required to take notice or deemed to have notice of any default or Event of Default under this Indenture, except Events of Default under Section 10.1(a) (1), (2) or (6), unless the Trustee has actual knowledge thereof or has received notice in writing of such default or Event of Default from the Issuer, the Borrower, the Construction Lender, the Credit Provider, the Loan Servicer, or the holders of at least 25 percent in aggregate principal amount of the Outstanding Bonds, and in the absence of any such notice, the Trustee may conclusively assume that no such default or Event of Default exists. The Trustee may nevertheless require the Issuer and the Borrower to furnish information regarding performance of their respective obligations under the Financing Agreement, the Regulatory Agreement and this Indenture, but is not obligated to do so.

(i) **Standard of Care.** The Trustee, during the existence and continuation of any Event of Default under this Indenture, shall exercise such of the rights vested in it by this Indenture, the Financing Agreement and the Regulatory Agreement, and use the same degree of care and skill in their exercise, as a reasonable person would exercise or use under the circumstances in the conduct of such person's own affairs. The foregoing will not limit the Trustee's obligations under Article VIII or Section 10.2(a).

(j) **Notice to Rating Agency.** At any time that the Bonds are rated by a Rating Agency, the Trustee shall give notice by mail to that Rating Agency at its address (as specified in Section 13.4) promptly upon the occurrence of any of: (i) the appointment of any successor trustee or separate trustee or co-trustee, (ii) any amendment of or supplement to this Indenture, the Financing Agreement, the Credit Facility or any Loan Document, (iii) the termination of the Credit Facility, the extension or expiration of the Credit Facility or the substitution of any Alternate Credit Facility for the Credit Facility, (iv) an Event of Default under this Indenture, (v) a redemption, acceleration or defeasance of the Bonds in whole or in part (other than any mandatory sinking fund redemption or redemption caused by the deposit and accumulation of moneys in the Principal Reserve Fund), (vi) any mandatory tender of the Bonds, (vii) execution by the Trustee of an agreement for the investment of moneys at a guaranteed rate as an Investment, (viii) any change in the provider of an agreement in the Trust Estate for the investment of moneys at a guaranteed rate; (ix) any resignation, removal or replacement of the Remarketing Agent, (x) any change in Mode, and (xi) any other event of which notice reasonably is requested by the Rating Agency. Notwithstanding the foregoing, it is expressly understood and agreed that failure to provide any such notice to any Rating Agency or any defect in any such notice will not affect the validity of any action with respect to which notice is to be given or the effectiveness of any such action.

(k) **Notice of the non-payment of any Third Party Fee or Fees and Expenses.** The Trustee shall give prompt written notice of the non-payment of any Third Party Fee or Fees and Expenses to the Loan Servicer and prior to the Conversion Date, to Fannie Mae and the Construction Lender.

(l) **Authority to Execute.** The Trustee is authorized and directed by the Issuer to execute or accept and acknowledge and to perform its obligations under, as applicable, in its capacity as Trustee, the Financing Agreement, the Assignment, the Regulatory Agreement and any financing statements.

(m) **No Disclosure Responsibility.** The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds, except for any information provided by the Trustee.

(n) **No Financial Obligation.** No provision of this Indenture or any other Bond Document or any Loan Document shall require the Trustee to risk or advance its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of its rights under this Indenture.

(o) **No Liability for Directions.** The Trustee will not be liable for any action taken or not taken by it in accordance with the direction of the Credit Provider or Bondholders pursuant to this Indenture except for the Trustee's own negligent action, its own negligent failure to act, or its own willful misconduct.

(p) **No Liability for Loan Servicer.** The Trustee shall not be responsible for the actions or omissions of the Loan Servicer and shall have no duty or responsibility to monitor the performance of the Loan Servicer.

(q) **Books, Records and Accounts.** The Trustee, on behalf of the Issuer, shall keep and maintain, or cause to be kept and maintained, proper books, records and accounts in which complete and accurate entries shall be made of all of its transactions relating to the Bonds, this Indenture, the Financing Agreement, the Regulatory Agreement, the Loan, the Credit Facility, the Funds and Accounts, Permitted Investments and Investment Income, all of which, at all reasonable times, and upon reasonable prior notice, will be subject to the inspection and audit by the Issuer, the Credit Provider, the Borrower, the Loan Servicer, the Construction Lender and Bondholders owning not less than 25 percent in aggregate principal amount of Bonds then Outstanding or any of their accountants or agents duly authorized in writing, each of whom will have the right, at its expense, to make copies of any such books of record and accounts.

(r) **List of Bondholders.** The Trustee shall keep the Bond Register available for inspection by any Bondholder or its attorney duly authorized in writing during normal business hours upon reasonable prior notice.

(s) **Payment Servicing From the Closing Date to the Conversion Date.** The Trustee shall service the obligations of the Borrower to make payments as provided in Section 3.2 of the Assignment.

SECTION 11.2 Qualification. The Trustee and any successor Trustee shall at all times be a bank or trust company organized under the laws of the United States of America or any state, authorized under such laws to exercise corporate trust powers, having a combined capital stock, surplus and undivided profits of at least \$50,000,000 (or an affiliate of a corporation or banking association meeting that requirement which guarantees the obligations

and liabilities of the Trustee) and subject to supervision or examination by federal or state banking authority.

SECTION 11.3 Fees; Expenses. Each of the Trustee and the Tender Agent is entitled to payment and reimbursement from the Borrower for reasonable fees for its ordinary services rendered under this Indenture and its ordinary costs and expenses reasonably incurred in connection with its services under this Indenture. In the event that it should become necessary that the Trustee perform extraordinary services, it shall be entitled to Extraordinary Items; provided however, that if such Extraordinary Items are incurred as a result of the negligence or willful misconduct of the Trustee or the Tender Agent, as applicable, it will not be entitled to compensation or reimbursement for such services or expenses. The Borrower's failure to pay amounts owed to the Trustee or the Tender Agent shall not excuse the performance of its obligations. The Trustee recognizes that all fees, charges and other compensation to which it may be entitled under this Indenture are required to be paid by the Borrower under the Financing Agreement, and, accordingly, the Trustee and the Tender Agent agree that except for moneys that the Issuer may derive from the Borrower for purposes of the foregoing, the Issuer shall not be liable for any such fees, charges and other compensation.

SECTION 11.4 Merger; Consolidation. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, merger or consolidation, provided such corporation or association otherwise qualifies under Section 11.2, shall be and become the successor Trustee under this Indenture with all the estates, properties, rights, powers and duties of the predecessor Trustee without the execution or filing of any instrument or any further act, deed or conveyance (other than the provision of notice to the Issuer, the Construction Lender, the Credit Provider and the Loan Servicer).

SECTION 11.5 Resignation or Removal of Trustee. The Trustee may resign only upon giving 60 days prior written notice to the Issuer, the Credit Provider, the Construction Lender, the Loan Servicer, the Borrower and to each Registered Owner of Bonds then Outstanding as shown on the Bond Register. The Trustee may be removed at any time upon 30 days prior written notice to the Trustee, (i) by the Issuer, with the prior written consent of the Construction Lender and the Credit Provider, (ii) by the owners of not less than 51 percent in aggregate principal amount of Bonds then Outstanding, which written instrument shall designate a successor Trustee approved by the Construction Lender and the Credit Provider, or (iii) by the Credit Provider. Such resignation or removal shall not be effective until a successor Trustee satisfying the requirements of Section 11.2 is appointed and has accepted its appointment.

SECTION 11.6 Appointment of Successor Trustee. Upon the resignation or removal of the Trustee, a successor Trustee, satisfying the requirements of Section 11.2, shall be appointed by the Issuer with the prior written consent of the Issuer Construction Lender and the Credit Provider (unless appointed by the Bondholders as provided in Section 11.5), provided, however, that if the Borrower is then in default under any Bond Document or any Loan Document or if an event has occurred and is continuing which, with notice or the passage of time or both, would constitute such a default, such appointment will be made by the Issuer with the prior written consent of the Construction Lender and the Credit Provider. If, in the case of

resignation or removal of the Trustee, no successor is appointed within 30 days after the notice of resignation or within 30 days after removal, as the case may be, then, in the case of a resignation, the resigning Trustee shall appoint a successor with the prior written consent of the Issuer, the Construction Lender and the Credit Provider or apply to a court of competent jurisdiction for the appointment of a successor Trustee and, in the case of a removal, the Credit Provider shall have the right to appoint a successor Trustee or to apply to a court of competent jurisdiction for the appointment of a successor Trustee. The successor Trustee must accept in writing its duties and responsibilities under this Indenture, the Financing Agreement, the Assignment and the Regulatory Agreement. The successor Trustee shall give notice of such succession by first-class mail, postage prepaid, to each Bondholder, the Issuer, the Construction Lender, the Credit Provider, the Loan Servicer and the Borrower.

SECTION 11.7 Transfer of Rights and Mortgaged Property to Successor Trustee. The successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of the predecessor Trustee, but the former Trustee shall nevertheless, on the written request of the Issuer, the Credit Provider or the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may be reasonably required for more fully and certainly vesting and confirming in the successor Trustee all the right, title and interest of the predecessor Trustee in and to any properties held by it under this Indenture, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in this Indenture. The former Trustee shall execute and deliver a certificate of transfer or such other certificate or document as may be required by the Credit Facility for its transfer to a successor Trustee and do such other things as may be reasonably required to transfer all of its right, title and interest in and to the Credit Facility to the successor Trustee. Should any deed, conveyance or instrument in writing from the Issuer be required by the successor Trustee for more fully and certainly vesting in and confirming to the successor Trustee any such moneys, estates, properties, rights, powers and duties, any and all such deeds, conveyances and instruments in writing, shall, on request, and as may be authorized by law, be executed, acknowledged and delivered by the Issuer.

SECTION 11.8 Power To Appoint Co-Trustees and Separate Trustees.

(a) **Appointment of Co-Trustees.** At any time or times, for the purpose of meeting any legal requirements of any jurisdiction in which any part of the Mortgaged Property is located, the Issuer (at the request of the Borrower, unless the Borrower is then in default under any Bond Document or any Loan Document or if an event has occurred and is continuing which, with notice or the passage of time or both, would constitute such a default) shall have the power, subject to the approval of the Construction Lender and the Credit Provider, to appoint one or more persons approved by the Trustee either to act as co-trustee jointly with the Trustee or as separate trustee of all or any part of the Mortgaged Property, and to vest in such person, in such capacity, such title to the Mortgaged Property or any part of it, and/or such rights, powers, duties, trusts or obligations as the Issuer and the Trustee may consider necessary or desirable. If the Issuer is in default under this Indenture, the Trustee alone will have the power to make such appointment with the prior written consent of the Construction Lender and the Credit Provider. The Issuer shall execute, acknowledge and deliver all such instruments as may be required by any such co-trustee or separate trustee for more fully confirming such title, rights, powers, trusts,

duties and obligations to such co-trustee or separate trustee. Any co-trustee shall give prompt written notice of such appointment to the Loan Servicer.

(b) **Effect of Death, Incapacity, Resignation or Removal of Co-Trustee or Separate Trustee.** In case any co-trustee or separate trustee dies, becomes incapable of acting, resigns or is removed, the pledge and assignment of the Security and all rights, powers, trusts, duties and obligations of the co-trustee or separate trustee, so far as permitted by law, shall vest in and be exercised by the Trustee unless and until a successor co-trustee or separate trustee is appointed in the same manner as provided in subsection (a).

(c) **Approval of the Issuer.** No co-trustee or separate trustee may assume its duties under this Indenture without the prior written approval of the Issuer, unless the Issuer is in default under this Indenture or has failed to respond timely as otherwise provided in this Article XI.

SECTION 11.9 Filing of Financing Statements. The Trustee shall file or record or cause to be filed or recorded all financing statements which are required to be filed or recorded in order fully to protect and preserve the security interests relating to and the priority of the Loan, the Trust Estate and the Security, and the rights and powers of the Issuer, the Trustee and the Credit Provider in connection with such security interests, including, but not limited to, all continuation statements for the purpose of continuing without lapse the effectiveness of (i) those financing statements which have been filed at or prior to the Closing Date in connection with the security for the Bonds pursuant to the authority of the UCC, and (ii) any previously filed continuation statements which have been filed as required by this Indenture; provided, however, that if the Credit Provider or the Loan Servicer gives written notice to the Trustee that it has filed or recorded all applicable financing statements, the Trustee shall be entitled to rely on such written notice. The Issuer shall sign, and the Trustee shall obtain from the Borrower, the Loan Servicer or the Credit Provider, all such financing statements as may be required for such purposes. Each financing statement delivered to the Trustee shall be accompanied by a notice from the Loan Servicer or the Credit Provider instructing the Trustee to file such financing statement in all appropriate places, which places shall be designated in such notice. Upon the filing of any such financing statement the Trustee shall immediately notify the Issuer, the Borrower, the Credit Provider and the Loan Servicer that the same has been done. If direction is given by the Loan Servicer or the Credit Provider, the Trustee shall file all financing statements in accordance with such directions.

SECTION 11.10 Tender Agent. The initial Tender Agent is U.S. Bank National Association. The Tender Agent shall designate to the Trustee, the Issuer, the Remarketing Agent and the Credit Provider its Designated Office and signify its acceptance of the duties and obligations imposed upon it under this Indenture by a written instrument of acceptance delivered to the Trustee under which such Tender Agent will agree particularly to:

(a) act as agent for the Trustee for the purpose of authenticating, accepting delivery of and delivering Bonds in accordance with Sections 2.11, 2.12, 2.13, 2.14, 2.16, 2.18 4.1 or 4.2 or other provisions of this Indenture relating to authentication and delivery of Bonds;

(b) forward to the Trustee immediately after completion of such authentication the names, addresses, taxpayer identification numbers or social security numbers of all persons in whose names the Bonds are to be registered;

(c) deliver authenticated and registered Bonds to or to the order of the persons in whose names such Bonds are registered;

(d) as agent for the Trustee, hold all moneys delivered to it for the purchase of Bonds in trust in the Bond Purchase Fund for the account of the person who delivered such moneys until the Bonds purchased with such moneys have been registered, authenticated and delivered to or to the order of such person; and

(e) hold all Bonds delivered to it for purchase in trust for the owner of such Bonds until such owner has received the purchase price for such Bonds.

The Tender Agent shall be entitled to the same protections, immunities and limitations from liability afforded the Trustee under this Indenture. The Issuer shall cooperate with the Trustee, the Borrower and the Credit Provider to cause the necessary arrangements to be made and to be continued by which amounts from the sources specified in this Indenture and in the Financing Agreement shall be made available for the purchase of Bonds presented at the Designated Office of the Tender Agent, and by which Bonds, executed by the Issuer and to be authenticated by the Tender Agent, shall be made available to the Tender Agent to the extent necessary for delivery pursuant to Sections 4.1 or 4.2.

SECTION 11.11 Resignation or Removal of Tender Agent. The Tender Agent may resign by giving no less than 30 days prior written notice to the Borrower, the Trustee, the Credit Provider, the Loan Servicer and the Issuer. The Tender Agent may be removed by the Issuer with the written approval of the Credit Provider, by an instrument signed by the Issuer stating the reason for such removal filed with the Tender Agent, the Trustee, the Credit Provider and the Issuer. The Trustee or the Credit Provider is authorized, with the prior written approval of the Issuer and the Credit Provider or the Trustee, as applicable, to remove the Tender Agent and appoint a successor. No removal of the Tender Agent shall be effective until a successor Tender Agent has been appointed and has accepted such appointment. Failing such appointment by the Issuer prior to the effective date of the Tender Agent's resignation, the Credit Provider shall have the right to appoint a successor Tender Agent acceptable to the Issuer. Any successor Tender Agent shall be a trust company or bank having trust powers and in good standing, within or without the State, having trust powers. The provisions of this Section shall apply if the resignation of the Tender Agent is due to the fact that the Tender Agent no longer exists. In no event shall the resignation or removal of the Tender Agent take effect prior to the date a successor Tender Agent has been appointed and is serving under this Indenture and the Tender Agent Agreement.

ARTICLE XII SUPPLEMENTAL INDENTURES; AMENDMENTS

SECTION 12.1 Supplemental Indentures Not Requiring Bondholder Consent. The Issuer and the Trustee, without the consent of or notice to any Bondholder, may

enter into an indenture or indentures supplemental to this Indenture for one or more of the following purposes:

(a) to cure any ambiguity or to correct or supplement any provision contained in this Indenture or in any supplemental indenture which may be defective or inconsistent with any other provision contained in this Indenture or in any supplemental indenture;

(b) to amend, modify or supplement this Indenture in any respect if, in the judgment of the Trustee, such amendment, modification or supplement is not materially adverse to the interests of the Bondholders;

(c) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee, or to grant or pledge to the Trustee for the benefit of the Bondholders any additional security other than that granted or pledged under this Indenture;

(d) to modify, amend or supplement this Indenture in such manner as to permit qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute then in effect, or to permit the qualification of the Bonds for sale under the securities laws of any of the States of the United States;

(e) to appoint a successor trustee, separate trustee or co-trustee, or a separate Tender Agent or Bond Registrar;

(f) to make any change requested by the Credit Provider which, in the judgment of the Trustee, is not materially adverse to the interests of the Bondholders, including, but not limited to, provision of a Credit Facility other than or in substitution for the initial Credit Facility, provided that the provision of such other Credit Facility does not adversely affect the rating then in effect for the Bonds;

(g) to make any changes in this Indenture or in the terms of the Bonds necessary or desirable in order to maintain the then existing rating on the Bonds by the Rating Agency or otherwise to comply with requirements of any Rating Agency then rating the Bonds;

(h) to comply with the Code and the regulations and rulings issued with respect to the Code, to the extent determined as necessary in the Opinion of Bond Counsel;

(i) to modify, alter, amend or supplement this Indenture in any other respect, including amendments which would otherwise be described in Section 12.2, (A) if such amendments will take effect on a Mandatory Tender Date following the purchase of Tendered Bonds or (B) if notice of the proposed supplemental indenture is given to Bondholders (in the same manner as notices of redemption are given) at least 30 days before the effective date of such amendment, modification, alteration or supplement and, on or before such effective date, the Bondholders have the right to demand purchase of their Bonds pursuant to Section 4.1; or

(j) to change any of the time periods for provision of notice relating to the remarketing of Bonds or the determination of the interest rate on the Bonds.

If the Trustee has received written confirmation from the Rating Agency to the effect that such supplemental indenture will not result in the suspension, withdrawal or reduction of the then current rating on the Bonds and all conditions precedent in this Section 12.1 and in Sections 12.5 and 12.6 have been satisfied, the Trustee shall join the Issuer in the execution of any such supplemental indenture. The Trustee promptly shall furnish a copy of any such supplemental indenture to the Credit Provider, the Construction Lender, the Remarketing Agent, the Tender Agent, the Loan Servicer and the Borrower.

SECTION 12.2 Supplemental Indentures Requiring Bondholder Consent.

The Issuer and the Trustee may, with the consent of Bondholders owning not less than 51 percent in aggregate principal amount of Bonds then Outstanding, from time to time, execute indentures supplemental to this Indenture for the purpose of modifying or amending any of the provisions of this Indenture provided, however, that nothing in this Section 12.2 permits, or shall be construed as permitting:

(a) an extension of the maturity of the principal of or interest on, or the mandatory redemption date of, any Bond, without the consent of the owner of such Bond;

(b) a reduction in the principal amount of, or the rate of interest on, any Bond, without the consent of the owner of such Bond;

(c) a preference or priority of any Bond or Bonds over any other Bond or Bonds, without the consent of the owners of all such Bonds;

(d) the creation of a lien prior to or on parity with the lien of this Indenture, without the consent of the owners of all of the Bonds then Outstanding;

(e) a change in the percentage of Bondholders necessary to waive an Event of Default under this Indenture or otherwise approve matters requiring Bondholder approval under this Indenture, including consent to any supplemental indenture, without the consent of the owners of all the Bonds then Outstanding;

(f) a transfer, assignment or release of the Credit Facility (or modification of the provisions of this Indenture governing such transfer, assignment or release), other than as permitted by this Indenture or the Credit Facility, without the consent of the owners of all of the Bonds then Outstanding;

(g) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture, without the consent of the holders of all of the Bonds then Outstanding;

(h) the creation of any lien other than a lien ratably securing all of the Bonds at any time Outstanding under this Indenture, without the consent of the holders of all of the Bonds then Outstanding; or

(i) the amendment of this Section 12.2, without the consent of the holders of all of the Bonds then Outstanding.

The Trustee shall promptly furnish a copy of any such supplemental indenture to the Credit Provider, the Construction Lender, the Remarketing Agent, the Tender Agent, the Loan Servicer and the Borrower. Notice of any amendment pursuant to this Section shall be given to the Bondholders promptly following the execution thereof.

SECTION 12.3 No Bondholder Consent Required for Amendment to Loan Documents. Unless a Wrongful Dishonor has occurred and is continuing, the Credit Provider alone (with the concurrence of the Construction Lender, unless the change is required by law or will only take effect from or after the Conversion Date, in which case no concurrence of the Construction Lender shall be required) may consent to any amendment to the Loan Documents and no consent of the Bondholders is required; provided, however, that any amendment or substitution of the Note shall occur only following written confirmation of the Rating Agency that such amendment or substitution will not result in a reduction or withdrawal of the rating on the Bonds.

SECTION 12.4 Amendments to the Credit Facility. The Credit Facility may only be amended, supplemented or otherwise changed in accordance with the following:

(a) **Replacement Credit Facility.** At the request of the Credit Provider, the Trustee shall exchange the Credit Facility with the Credit Provider for a new Credit Facility (a **“Replacement Credit Facility”**) issued by the Credit Provider, provided that there is delivered to the Trustee (i) a written confirmation from the Rating Agency to the effect that such exchange shall not adversely affect the rating then in effect for the Bonds and (ii) a written opinion of Bond Counsel to the effect that such exchange will not adversely affect the excludability of interest on the bonds from gross income for federal income tax purposes. No such exchange shall require the approval of the Issuer, the Trustee or any of the Bondholders or constitute or require a modification or supplement to this Indenture.

(b) **Amendment of the Credit Facility.** The Trustee may consent, without the consent of the owners of the Bonds, to any amendment of the Credit Facility not addressed in subsection (a) which does not prejudice in any material respect the interests of the Bondholders.

(c) **Other Amendments of the Credit Facility.** Except as provided in subsections (a) and (b), the Credit Facility may be amended only with the consent of the Trustee and the owners of a majority of the owners of all Outstanding Bonds. No amendment may be made to the Credit Facility which would reduce the amounts required to be paid under the Credit Facility or change the time for payment of such amounts; provided, however, that any such amounts may be reduced without such consent solely to the extent that such reduction represents a reduction in any fees payable from such amounts.

SECTION 12.5 Notice to and Consent of Bondholders. If consent of the Bondholders is required for any supplement, amendment or modification to this Indenture or for any other similar purpose, the Trustee shall give notice of the proposed supplement, amendment or modification by first class mail, postage prepaid, to the Bondholders. Such notice will be conclusively presumed to have been duly given and received when given in such manner, whether or not any holder actually receives the notice. Such notice shall briefly set forth the nature of the proposed supplement, amendment or modification, and shall state that copies of any

such supplement, amendment or modification are on file at the Designated Office of the Trustee for inspection by the Bondholders. The consent of the holder of any Bond will be binding on any transferee and successor transferees of such Bond.

SECTION 12.6 Required Approvals. Subject to the provisions of Section 8.7, no amendment, supplement or modification may be made (i) to any Bond Document without the prior written consent of the Construction Lender and the Credit Provider, (ii) to any Loan Document without the prior written consent of the Credit Provider and, so long as the change will take effect prior to the Conversion Date or is not required by law, the Construction Lender, or (iii) to any Credit Facility Document without the prior written consent of the Credit Provider and, if the change will materially adversely affect the Borrower or the Construction Lender, the Construction Lender. Anything in this Indenture to the contrary notwithstanding, a supplement or amendment or other document described under this Article XII which materially and adversely affects any rights or obligations of the Borrower will not become effective unless and until the Borrower (if the Borrower is not then in default under any Bond Document or any Loan Document and if no event which, with notice or the passage of time or both, would constitute such a default has occurred and is continuing) has consented in writing to the execution of such supplemental indenture, amendment or other document. The Trustee shall not be required to enter into any supplement or amendment which adversely effects the Trustee's rights and duties under this Indenture.

SECTION 12.7 Opinions of Counsel. Subject to the provisions of Section 11.1, the Trustee may obtain and will be fully protected in relying upon an Opinion of Counsel as conclusive evidence that any supplement or amendment to this Indenture is authorized and permitted by this Indenture and, if applicable, is not materially adverse to the interests of the Bondholders. No supplement or amendment with respect to this Indenture will be effective until the Issuer and the Trustee have received an opinion of Bond Counsel to the effect that such supplement or amendment will not adversely affect the exclusion from gross income, for federal income tax purposes, of the interest payable on the Bonds.

SECTION 12.8 Notation of Modification on Bonds; Preparation of New Bonds. Bonds authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article may bear a notation, in form approved by the Trustee and the Issuer as to any matter provided for in such supplemental indenture, and if such supplemental indenture so provides, new Bonds, so modified as to conform, in the opinion of the Trustee and the Issuer, to any modification of this Indenture contained in any such supplemental indenture, may be prepared by the Issuer, authenticated by the Trustee and delivered without cost to the Bondholders, upon surrender for cancellation of such Bonds in equal aggregate principal amounts.

ARTICLE XIII MISCELLANEOUS

SECTION 13.1 Consents, Etc., of Bondholders. Any consent, request, direction, or other instrument required to be signed by the Bondholders may be in any number of concurrent writings of similar tenor and may be signed by any Bondholder in person or by an authorized agent appointed in writing. The fact and date of the execution by any person of any

such request, consent, direction, approval, objection or other instrument may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before such officer its execution, or by an affidavit of any witness to such execution. Such proof of execution or of the writing appointing any agent will be sufficient for any of the purposes of this Indenture and will be conclusive in favor of the Trustee with regard to any action taken by it under such consent, request, direction or other instrument. In the event that the Trustee receives conflicting directions from two groups of Bondholders, each with combined holdings of not less than 25 percent in aggregate principal amount of all Bonds then Outstanding, the directions given by the group of Bondholders which hold the largest percentage of Bonds Outstanding will be controlling and the Trustee shall follow such directions as elsewhere required in this Indenture.

SECTION 13.2 Limitation of Rights. With the exception of rights expressly conferred in this Indenture, nothing expressed in or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any Person other than the Issuer, the Trustee, the Bondholders, the Credit Provider, the Loan Servicer, the Construction Lender and the Borrower any legal or equitable right, remedy or claim under or in respect of this Indenture. This Indenture and all of the covenants, conditions and provisions in this Indenture are intended to be for the sole and exclusive benefit of the parties to this Indenture, the Bondholders, the Credit Provider, the Loan Servicer, the Construction Lender and the Borrower as provided in this Indenture. The Credit Provider is a third-party beneficiary of this Indenture with the right to enforce its provisions. The Construction Lender, as to provisions directly running to the benefit of the Construction Lender, is a third-party beneficiary of such provisions with the right to enforce those provisions.

SECTION 13.3 Severability. If any provision of this Indenture is held to be in conflict with any applicable constitution or statute or rule of law, or is otherwise held to be unenforceable for any reason, such circumstance shall not have the effect of rendering the provision in question inoperative or unenforceable in any other part or circumstance, or of rendering any other provision or provisions contained in this Indenture invalid, inoperative or unenforceable to any extent whatsoever. The invalidity of any one or more phrases, sentences, clauses or Sections of this Indenture will not affect the remaining portions of this Indenture.

SECTION 13.4 Notices. Unless otherwise specified in this Indenture, it shall be sufficient service or giving of any notice, request, certificate, demand or other communication if the same is sent by (and all notices required to be given by mail will be given by) first-class registered or certified mail, postage prepaid, return receipt requested, or by private courier service which provides evidence of delivery, or sent by Electronic Means which produces evidence of transmission, confirmed by first-class mail, postage prepaid, and in each case will be deemed to have been given on the date evidenced by the postal or courier receipt or other written evidence of delivery or electronic transmission. Unless a different address is given by any party as provided in this Section, all such communications will be addressed as follows:

To the Issuer: The Housing Authority of the
County of Los Angeles
2 Coral Circle
Monterey Park , CA 91755
Attention: Manager, Housing Development
and Preservation
Facsimile: (323) 890-9715
Telephone: (323) 890-7269

To the Trustee: U.S. Bank National Association
1420 Fifth Avenue, 7th Floor
Seattle, WA 98101
Attention: CTS-Debbie Kuykendall
Facsimile: (206) 344-4630
Telephone: (206) 344-4681

Trustee and Tender Agent designated
office for Bond payments, transfers
or tenders: U.S. Bank National Association
Corporate Trust Services
180 East 5th Street
St. Paul, MN 55101

To the Remarketing Agent: Newman & Associates, A Division of
GMAC Commercial Holding Capital
Markets Corp.

To the Borrower: Castaic Senior Communities, L.P.
c/o Community Housing Development Group, Inc.
369 San Miguel Drive, Suite 135
Newport Beach, CA 92660
Attention: Jules Swimmer
Facsimile: (949) 721-9451
Telephone: (949) 721-0122

with a copy to:

Pillsbury Winthrop LLP
50 Fremont Street
San Francisco, CA 94105
Attention: Gary P. Downs
Facsimile: (415) 983-1200
Telephone: (415) 983-1835

To the Tender Agent:

U.S. Bank National Association
1420 Fifth Avenue, 7th Floor
Seattle, WA 98101
Attention: CTS-Debbie Kuykendall
Facsimile: (206) 344-4630
Telephone: (206) 344-4681

To the Rating Agencies:

Standard & Poor's Rating Services
55 Water Street
38th Floor
New York, NY 10041
Attention: Public Finance Surveillance Group
Telephone: (212) 438-2054
Facsimile: (212) 438-2157

Moody's Investor Services
99 Church Street
New York, New York 10007
Attention: Fully Supported Group
Telephone: (212) 553-4441
Facsimile: (212) 553-4090

To the Credit Provider:

Fannie Mae
3900 Wisconsin Avenue, NW
Drawer AM
Washington, DC 20016-2899
Attention: Director, Multifamily Asset
Management
Telephone: (202) 752-2854
Facsimile: (202) 752-3542

RE: \$9,300,000 The Housing Authority of the
County of Los Angeles Variable Rate Demand
Multifamily Housing Revenue Bonds
(Castaic Senior Apartments Project)
Series 2003C/GMAC Affordable Housing Division

with a copy to:

Fannie Mae
3900 Wisconsin Avenue, NW
Drawer AM
Washington, DC 20016-2899
Attention: Vice President, Multifamily Services
Telephone: (202) 752-7869
Facsimile: (202) 752-8369

RE: \$9,300,000 The Housing Authority of the
County of Los Angeles Variable Rate Demand
Multifamily Housing Revenue Bonds
(Castaic Senior Apartments Project)
Series 2003C/GMAC Affordable Housing Division

provided, however, that any notice required to be delivered to the
Credit Provider pursuant to Section 4.1, 4.2 or 4.3 will be
addressed as follows:

Fannie Mae
3900 Wisconsin Avenue, N.W.
Washington, DC 20016-2899
Attention: Director, Fiscal Agency Relations
and Treasury Backoffice
Telephone: (202) 752-7916
Facsimile: (202) 752-6087

RE: \$9,300,000 The Housing Authority of the
County of Los Angeles Variable Rate Demand
Multifamily Housing Revenue Bonds
(Castaic Senior Apartments Project)
Series 2003C/GMAC Affordable Housing Division

with a copy to:

Fannie Mae
3900 Wisconsin Avenue, N.W.
Washington, DC 20016-2899
Attention: Director, Multifamily Asset
Management
Telephone: (202) 752-3670
Facsimile: (202) 752-8369

RE: \$9,300,000 The Housing Authority of the
County of Los Angeles Variable Rate Demand
Multifamily Housing Revenue Bonds
(Castaic Senior Apartments Project)
Series 2003C/GMAC Affordable Housing Division

[For courier to all Fannie Mae addresses use 4000 Wisconsin
Avenue, N.W. and delete any reference to Drawer AM]

To the Loan Servicer:

GMAC Commercial Mortgage Corp.

RE: Castaic Senior Apartments Project

To the Construction Lender:

U.S. Bank National Association, as Trustee
1420 Fifth Avenue, 8th Floor
Seattle, WA 98101
Attention: _____
Facsimile: _____
Telephone: _____

Copies of all notices given to the Credit Provider must be given concurrently to the Construction Lender and the Loan Servicer. By notice given under this Indenture, any entity whose address is listed in this Section may designate any different addresses to which subsequent notices, certificates, requests, demands or other communications shall be sent, but no notice directed to any one such entity (except for Credit Provider) will be required to be sent to more than two addresses. All approvals required under this Indenture will be given in writing.

SECTION 13.5 Action Required to be taken on a Non-Business Day. If the date for making any payment or any date on which action is required to be taken is not a Business Day, then any action required to be taken or any payment required to be made may be taken or made on the following Business Day with the same force and effect as if made or taken on the date otherwise provided for in this Indenture and, in the case of any payment date, no interest will accrue for the period from and after such date.

SECTION 13.6 Binding Effect. From and after the Closing Date, this Indenture shall be binding upon the Issuer and the Trustee and their respective successors and assigns, subject, however, to the limitations contained in this Indenture.

SECTION 13.7 Governing Law. This Indenture shall be governed by and interpreted in accordance with internal laws of the State without regard to conflicts of laws principles.

SECTION 13.8 No Personal Liability; No Recourse. No member, officer, agent, employee, attorney or agent of the Issuer, including any person executing this Indenture or the Bonds, will be liable personally on the Bonds or for any reason relating to the issuance of the Bonds. No recourse will be had for the payment of the principal of or the interest on the Bonds, or for any claim based on such Bonds, or otherwise in respect of such Bonds, or based on or in respect of this Indenture or any indenture supplemental to this Indenture, against any member, officer, employee, attorney or agent, as such, of the Issuer or any successor, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance of this Indenture and as part of the consideration for the issue of the Bonds, expressly waived and released.

SECTION 13.9 Counterparts. This Indenture may be simultaneously executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

The Issuer has caused this Indenture to be executed, sealed and attested in its name and on its behalf by its duly authorized officers, and the Trustee has caused this Indenture to be executed in its name by its duly authorized officer, all as of the date set forth above.

THE HOUSING AUTHORITY OF THE
COUNTY OF LOS ANGELES

By: _____
Executive Director

Approved as to form:

LLOYD W. PELLMAN,
County Counsel

By: _____
Deputy

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Officer

EXHIBIT A

FORM OF BOND

The Housing Authority of the County of Los Angeles Variable Rate Demand
Multifamily Housing Revenue Bonds (Castaic Senior Apartments Project), Series
2003C

No. _____ \$ _____

Dated: June , 2003 _____ CUSIP # _____

Maturity Date: June 15, 2036

Interest Rate: Weekly Variable Rate,
Determined as described below
(Initial Rate: %)

REGISTERED OWNER: Cede & Co.
(Tax Identification No. 13-2555119)

PRINCIPAL AMOUNT: _____ DOLLARS

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Trustee for registration, transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or in the name of such other entity as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE OF THIS BOND FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the Registered Owner of this Bond, Cede & Co., has an interest in this Bond.

Capitalized terms used in this Bond but not defined in this Bond shall have the meanings given to those terms in the Indenture (as hereinafter defined).

FOR VALUE RECEIVED, The Housing Authority of the County of Los Angeles (the “Issuer”), a public body corporate and politic organized and existing under the laws of the State of California (the “State”) promises to pay to the Registered Owner identified above or registered assigns (subject to prior redemption as hereinafter provided), on the Maturity Date set forth above, the Principal Amount set forth above, and to pay interest on the Principal Amount on each Interest Payment Date. The term “Interest Payment Date” means (a) during the Weekly Variable Rate Period, the 15th day of each calendar month, beginning July 15, 2003; (b) any other date on which interest is payable, including any Adjustment Date, any Redemption Date, the Maturity Date and the date of acceleration of the Bonds.

Payment of interest on this Bond on each Interest Payment Date will be made to the Registered Owner of this Bond (as determined at the close of business on the Record Date (being the Business Day preceding the applicable Interest Payment Date)) by check drawn upon the Trustee and mailed by first class mail, postage prepaid, on the Interest Payment Date to the address of the Registered Owner as it appears on the Bond Register or to such other address as may be furnished in writing by the Registered Owner to the Trustee prior to the applicable Record Date. Payment of the principal of this Bond and premium, if any, together with interest payable on any Bond Payment Date (other than interest payable on a regularly scheduled Interest Payment Date) will be made by check to the Registered Owner of this Bond only upon presentation and surrender of this Bond on or after its maturity date or date fixed for purchase, redemption or other payment at the office of the Trustee designated by the Trustee for that purpose. Notwithstanding the foregoing, payment of principal of, premium, if any, and interest on, this Bond will be made by wire transfer to any account within the United States of America designated by the Registered Owner if the Registered Owner owns \$1,000,000 or more in aggregate principal amount of the Bonds and otherwise complies with the procedures set forth in the Indenture. Notwithstanding the foregoing, payments of the principal of, premium, if any, and interest on any Bonds that are subject to the Book-Entry System will be made as provided in the Indenture.

If interest on this Bond is in default, the Trustee, prior to the payment of interest, will establish a special record date (the “Special Record Date”) for such payment. A Special Record Date will be not more than 15 nor less than 10 days prior to the date of the proposed payment. Payment of defaulted interest will then be made by check or wire transfer as permitted by the Indenture, mailed or remitted to the Registered Owner in whose name this Bond is registered on the Special Record Date at the address or account of such Registered Owner as shown on the Bond Register.

The principal of, premium, if any, and interest on this Bond are payable in lawful money of the United States of America.

During the Weekly Variable Rate Period, interest on the Bonds is payable at the Weekly Variable Rate, and will remain payable at the Weekly Variable Rate unless and until the interest rate on the Bonds is adjusted to a different interest rate Mode in

accordance with the Indenture. So long as the Bonds bear interest at the Weekly Variable Rate, interest will be computed on the basis of a 365 or 366-day year, as applicable, for the actual number of days elapsed.

The Weekly Variable Rate will be determined by the Remarketing Agent not later than 4:00 p.m., Eastern time, on the applicable Rate Determination Date and will be the minimum rate of interest necessary, in the best professional judgment of the Remarketing Agent, taking into consideration prevailing market conditions, to enable the Remarketing Agent to remarket all of the Bonds on the applicable Rate Determination Date at par plus accrued interest. The Weekly Variable Rate so determined will, within each Weekly Variable Rate Period, be effective for the seven-day period beginning on Thursday of each calendar week and ending on and including the following Wednesday, except that (a) the first Week will begin on the Closing Date and end on and include the following Wednesday; (b) the first Week of a Weekly Variable Rate Period immediately following an Adjustment Date will begin on such Adjustment Date and end on and include the following Wednesday; (c) any Week ending immediately before an Adjustment Date will begin on a Thursday and end on the day before such Adjustment Date; (d) the final Week will begin on a Thursday and end on the earlier of an Adjustment Date or the Maturity Date; and (e) the first and last Weeks of a Weekly Variable Rate Period may consist of more (but not more than 13) or less than 7 days.

If the Remarketing Agent fails or refuses to determine the Weekly Variable Rate for any period during the Weekly Variable Rate Period, the interest rate to be borne by the Bonds during such period beginning on and including Thursday of each week to and including the following Wednesday shall be the latest BMA Index Rate published on or before the Rate Determination Date, or, in the event the BMA Index Rate is no longer published, the last determined Weekly Variable Rate as determined by the Remarketing Agent.

THIS BOND AND THE ISSUE OF WHICH IT IS A PART ARE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE OUT OF AND SECURED BY A PLEDGE OF THE TRUST ESTATE (AS DEFINED IN THE INDENTURE). NEITHER THE ISSUER, THE STATE, THE COUNTY OF LOS ANGELES NOR ANY OTHER POLITICAL SUBDIVISION OF THE STATE IS OBLIGATED TO PAY THIS BOND OR THE INTEREST HEREON EXCEPT FROM SUCH TRUST ESTATE. THE FAITH AND CREDIT OF THE ISSUER IS NOT PLEDGED TO THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, THE COUNTY OF LOS ANGELES NOR OF ANY OTHER POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS.

This Bond is one of a duly authorized issue of bonds of the Issuer designated as its Variable Rate Demand Multifamily Housing Revenue Bonds (Castaic Senior Apartments Project), Series 2003C (the "Bonds") in the aggregate principal amount of \$9,300,000.

The Bonds are equally and ratably secured as to principal, premium, if any, interest and purchase price by a Trust Indenture dated as of June 1, 2003 (the "Indenture"), by and between the Issuer and the Trustee (copies of which are on file at the Designated Office of the Trustee). Reference is made to the Indenture for a description of the Trust Estate, the nature and extent of the Security for the Bonds, the terms and conditions upon which the Bonds are secured, and the rights of the owners of the Bonds. The Security includes a Credit Enhancement Instrument (the "Credit Facility"), dated as of the Closing Date, issued by Fannie Mae to the Trustee.

FANNIE MAE'S OBLIGATIONS WITH RESPECT TO THE MORTGAGE LOAN AND THE BONDS ARE SOLELY AS PROVIDED IN THE CREDIT FACILITY. THE OBLIGATIONS OF FANNIE MAE UNDER THE CREDIT FACILITY WILL BE OBLIGATIONS SOLELY OF FANNIE MAE, A FEDERALLY CHARTERED STOCKHOLDER-OWNED CORPORATION. FANNIE MAE'S OBLIGATIONS ARE NOT BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, OR ANY AGENCY OF THE UNITED STATES OF AMERICA, OR OF FANNIE MAE, AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA, ANY AGENCY OF THE UNITED STATES OF AMERICA OR FANNIE MAE. FANNIE MAE HAS NO OBLIGATION TO PURCHASE, DIRECTLY OR INDIRECTLY, ANY OF THE BONDS.

The Bonds are subject to redemption prior to maturity only as set forth below and in the Indenture. All redemptions will be in Authorized Denominations. The Authorized Denomination during the Weekly Variable Rate Period is \$100,000 or any integral multiple of \$5,000 in excess of \$100,000, without regard to how DTC or any successor securities depository records interests in the Bonds.

Optional Redemption. The Bonds are subject to optional redemption in whole or in part upon optional prepayment of the Loan by the Borrower. Optional Redemption will be made on any Interest Payment Date within a Weekly Variable Rate Period and on any Adjustment Date, at a redemption price equal to one hundred percent (100%) of the principal amount redeemed plus accrued interest to the Redemption Date.

Mandatory Redemption. The Bonds are subject to mandatory redemption at a redemption price equal to one hundred percent (100%) of the principal amount of such Bonds plus accrued interest to the Redemption Date on the earliest practicable Redemption Date for which timely notice of redemption can be given following the occurrence of the event requiring such redemption specified below:

Casualty or Condemnation. The Bonds shall be redeemed in whole or in part in the event and to the extent that proceeds of insurance from any casualty to, or proceeds of any award from any condemnation of, or any award as part of a settlement in lieu of condemnation of, the Project ("Proceeds") are applied in accordance with the Security Instrument to the prepayment of the Loan.

After an Event of Default under the Reimbursement Agreement. The Bonds shall be redeemed on the earliest practicable date in whole or in part in an amount specified by and at the direction of the Credit Provider following any Event of Default under the Reimbursement Agreement.

Principal Reserve Fund. The Bonds shall be redeemed in whole or in part as follows:

(1) on each Adjustment Date in an amount equal to the amount which has been transferred from the Principal Reserve Fund on such Adjustment Date to the Redemption Account; and

(2) on any Interest Payment Date in an amount equal to the amount which has been transferred from the Principal Reserve Fund on such Interest Payment Date to the Redemption Account.

Sinking Fund Redemption. The Bonds shall be redeemed during the Fixed Rate Period if the Issuer has established a Sinking Fund Schedule, at the times and in the amounts set forth in the Sinking Fund Schedule (subject to the provisions of the Indenture permitting amounts to be credited toward part or all of any one or more Sinking Fund Payments).

Pre-Conversion Loan Equalization. The Bonds shall be redeemed in part in the event that the Borrower makes a Pre-Conversion Loan Equalization Payment. The principal amount of Bonds to be redeemed shall be the amount prepaid by the Borrower or, if such amount is not an integral multiple of an Authorized Denomination, the next lowest integral multiple of an Authorized Denomination to the amount prepaid.

Failure of Conversion or Borrower Default. The Bonds shall be redeemed in whole if the Credit Provider notifies the Trustee that either (i) the Conditions to Conversion have not been satisfied on or before the Termination Date or (ii) that a Borrower Default has occurred or (iii) that an event of default by the Borrower has occurred under the Construction Phase Loan Agreement or the Construction Phase Credit Reimbursement Agreement.

Excess Loan Funds. The Bonds shall be redeemed in whole or in part in the event and to the extent that amounts on deposit in the Loan Fund are transferred to the Redemption Account pursuant to Section 5.3(d)(i).

The Trustee will give notice of the call for redemption of any Bonds in the name and on behalf of the Issuer by mail not less than 10 days prior to the specified Redemption Date, to the Registered Owner of each Bond to be redeemed at the address of such Registered Owner as shown on the Bond Register. The Trustee may give a notice of redemption prior to the receipt of all funds necessary to effect the redemption, provided that a redemption will not occur unless and until the Trustee has on deposit and

available or, if applicable, has received, all of the funds necessary to effect the redemption; otherwise, the redemption will be cancelled. The Trustee will cause a second notice of redemption to be sent by mail on or within 10 days after the 30th day after the Redemption Date to any Bondholder who has not submitted its Bond to the Trustee for payment on or before the 30th day following the Redemption Date.

If less than all the Outstanding Bonds are called for redemption, the Trustee will select by lot, in such manner as it shall in its discretion determine, the Bonds, or portions of the Bonds in Authorized Denominations, to be redeemed. In the selection process any Pledged Bonds Outstanding will be called for redemption before any other Bonds are selected for redemption.

During any Weekly Variable Rate Period, the Trustee will purchase any Bond on behalf of and as agent for the Borrower, but solely from the sources provided in the Indenture, upon receipt from the Beneficial Owner of such Bond of a Bondholder Tender Notice. The purchase price of such Bond will be equal to one hundred percent (100%) of the principal amount of such Bond plus accrued interest, if any, to the date of purchase. The Bondholder Tender Notice must be accompanied by a guaranty of signature acceptable to the Tender Agent and must be delivered to and received prior to 3:30 p.m., Eastern time, on a Business Day not later than the seventh day preceding the Business Day designated in such Bondholder Tender Notice as the date of purchase. The Bondholder Tender Notice must state the following:

(i) the number and principal amount (or portion of a Bond in integral multiples of the Authorized Denomination, provided that the portion of the Bond retained is also an integral multiple of an Authorized Denomination) of such Bond;

(ii) the name, address and tax identification number or social security number of the Beneficial Owner of the Bond demanding such payment; and

(iii) the date on which the Bond is to be purchased, which date must be a Business Day not prior to the seventh day next succeeding the date of the delivery of the Bondholder Tender Notice to the Tender Agent.

The Trustee will, initially, serve as Tender Agent for the Bonds.

By delivering the Bondholder Tender Notice, the Beneficial Owner irrevocably agrees to deliver the Tendered Bond (with an appropriate transfer of registration form executed in blank and accompanied by a guaranty of signature satisfactory to the Tender Agent) to the Designated Office of the Tender Agent or any other address designated by the Tender Agent at or prior to 10:00 a.m., Eastern time, on the date of purchase specified in the Bondholder Tender Notice. Any election by a Beneficial Owner to tender a Bond or Bonds (or portion of a Bond or Bonds) for purchase on a Business Day will also be binding on any transferee of the Beneficial Owner making such election. A Bond will be purchased only if the Bond so delivered to the Tender

Agent conforms in all respects to the description of the Bond in the Bondholder Tender Notice. The Tender Agent will determine in its sole discretion whether a Bondholder Tender Notice complies with the requirements of the Indenture and whether any Bond delivered conforms in all respects to the description of the Bond in the Bondholder Tender Notice.

If after delivery to the Tender Agent of a Bondholder Tender Notice in accordance with the Indenture, the Beneficial Owner making the election fails to deliver the Bond or Bonds described in the Bondholder Tender Notice to the Tender Agent on the applicable purchase date, the untendered Bond or Bonds or portion of the untendered Bond or Bonds described in the Bondholder Tender Notice will be deemed to have been properly tendered for purchase to the Tender Agent and, to the extent that there will be on deposit in the Bond Purchase Fund or the Credit Facility Account on the applicable purchase date an amount sufficient to pay the purchase price of the Bond, the untendered Bond or Bonds will on and after such purchase date cease to bear interest and no longer will be considered to be Outstanding under the Indenture.

The Holder of any Bond is required to tender its Bond to the Tender Agent, for purchase by the Trustee acting on behalf of and as agent for the Borrower, but solely from the sources provided in the Indenture, for a purchase price equal to one hundred percent (100%) of the principal amount of the Bond plus accrued interest to the applicable Mandatory Tender Date, on each Mandatory Tender Date; and in any such event, the Holder of the Bond may not elect to retain its Bond. Mandatory Tender Dates include each proposed Adjustment Date, each Adjustment Date, each Substitution Date and each Extension Date. The Trustee will give notice of Mandatory Tender Dates as follows:

(i) Not less than 30 days before any proposed Adjustment Date, the Trustee will give notice by mail to the Owners of the Bonds and the other Remarketing Notice Parties stating (a) the proposed Adjustment Date, (b) that the Bonds are required to be tendered for purchase or redeemed on such date, (c) that the Owners of the Bonds will not have the right to elect to retain their Bonds, and (d) if applicable, any additional information required to be set forth in notices pursuant to the Indenture.

(ii) Not less than 10 days before any Substitution Date, the Trustee will give notice by mail to the Owners of the Bonds stating (a) an Alternate Credit Facility will be substituted for the Credit Facility then in effect, (b) the Substitution Date, (c) that the Bonds are required to be tendered on the Substitution Date and (d) that the Owners of the Bonds will not have the right to elect to retain their Bonds.

(iii) Not less than 10 days before any Extension Date, if the Trustee has not received a binding commitment to extend the applicable Alternate Credit Facility then in effect and the Opinion of Counsel required by the Financing Agreement, the Trustee will give notice by mail to the owners of the Bonds

stating (a) the Extension Date and that the conditions to extend the Alternate Credit Facility set forth in the Indenture have not been satisfied, (b) that the Bonds are required to be tendered on the Extension Date (unless the conditions set forth in the Indenture are satisfied prior to the Extension Date, in which event the notice will be cancelled), and (c) that the Owners of the Bonds will not have the right to elect to retain their Bonds.

The Bonds will also be subject to mandatory tender on the earliest practicable date after notice of such tender has been given to Bondholders (but not less than 10 nor more than 15 days after the giving of such notice) (which date must be a Mandatory Tender Date) upon receipt by the Trustee of written notice from the Credit Provider stating that an Event of Default has occurred under the Indenture or an Event of Default has occurred under (and as defined in) the Financing Agreement or the Reimbursement Agreement and directing that the Bonds be subject to mandatory tender rather than mandatory redemption. Immediately upon receipt by the Trustee of written notice from the Credit Provider, the Trustee will give notice by mail to the owners of the Bonds stating (a) that such event has occurred, (b) that such Bonds are required to be tendered on the Mandatory Tender Date specified in such notice, and (c) that the Owners of the Bonds will not have the right to elect to retain their Bonds.

Any Bond which is not tendered on a Mandatory Tender Date will be deemed to have been tendered to the Tender Agent on the Mandatory Tender Date, and, beginning on the Mandatory Tender Date, will cease to bear interest and no longer will be considered to be Outstanding under the Indenture.

The registered owner of this Bond will have no right to enforce the provisions of the Indenture or the Financing Agreement or to institute any proceeding in equity or at law for the enforcement of the Indenture or the Financing Agreement or to take any action with respect to an Event of Default under the Indenture or the Financing Agreement or to institute, appear in or defend any suit or other proceedings with respect to the Indenture or the Financing Agreement, except as provided in the Indenture.

If an Event of Default occurs, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture.

The Trustee is the Bond Registrar for the Bonds and will keep the Bond Register for the registration of the Bonds and for the registration of transfer of Bonds.

Subject to the express limitations contained in the Indenture, any Bondholder or its attorney duly authorized in writing may transfer title to a Bond on the Bond Register upon surrender of the Bond at the office of the Trustee designated by the Trustee for that purpose, together with a written instrument of transfer (in substantially the form of assignment, including signature guarantee, attached to the Bond) satisfactory to the Trustee executed by the Bondholder or its attorney duly authorized in writing, and upon surrender for registration of transfer of any Bond, the Issuer will execute and the

Trustee will authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds of the same aggregate principal amount, rate of interest, maturity and tenor as the Bond surrendered and of any Authorized Denomination.

Subject to the express limitations contained in the Indenture, Bonds may be exchanged upon surrender of such Bonds at the office of the Trustee designated by the Trustee for that purpose together with a written instrument of transfer (in substantially the form of assignment, including signature guarantee, attached to the Bond) satisfactory to the Trustee, executed by the Bondholder or its attorney duly authorized in writing, for an equal aggregate principal amount of Bonds of the same aggregate principal amount, rate of interest, maturity, and tenor as the Bonds being exchanged and of any Authorized Denomination. The Issuer will execute and the Trustee will authenticate and deliver Bonds which the Bondholder making the exchange is entitled to receive, bearing numbers not contemporaneously then outstanding.

Registrations of transfers or exchanges of Bonds will be without charge to the Bondholders, but any taxes or other governmental charges required to be paid with respect to a transfer or exchange must be paid by any Bondholder requesting the registration of transfer or exchange as a condition precedent to the exercise of such privilege. Any service charge made by the Trustee for any such registration, transfer or exchange will be paid by the Borrower.

The Trustee is not required to register any transfer or exchange of any Bond (or portion of any Bond) called for redemption.

The person in whose name this Bond is registered on the Bond Register will be deemed and regarded as the absolute owner of this Bond for all purposes, and payment of or on account of either principal or interest will be made only to or upon the order of such person or its attorney duly authorized in writing, but such registration may be changed as provided in the Indenture.

In any case in which the date required for payment of principal of or interest on the Bonds or the date fixed for redemption or mandatory purchase of any Bonds or any date on which action is required to be taken is a day other than a Business Day, then any action required to be taken or any payment required to be made on such date need not be taken or made on such date, but may be taken or made on the next succeeding Business Day with the same force and effect as if made or taken on the date otherwise provided for in the Indenture and, in the case of any payment date, no interest shall accrue for the period on and after such date.

Neither the members of the governing body of the Issuer nor any officer, agent, representative or employee of the Issuer nor any person executing this Bond shall be subject to any personal liability or accountability by reason of the issuance of this Bond, whether by virtue of any Constitution, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability being expressly waived as a

condition of and in consideration for the execution of the Indenture and the issuance of the Bonds.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication on this Bond has been manually endorsed by the Trustee.

It is certified and recited by the Issuer that all conditions, acts and things required by the Indenture or by the laws of the State, including the Act, to exist, to have happened or to have been performed precedent to or in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the issuance of this Bond and the issue of which it forms a part is within every debt and other limit prescribed by said Constitution or statutes.

IN WITNESS OF THE ABOVE, the Issuer has caused this Bond to be duly executed in its name as of the date of delivery shown above.

THE HOUSING AUTHORITY OF THE
COUNTY OF LOS ANGELES

By: _____
Chair of the Board of Commissioners

ATTEST:

By: _____
Executive Officer – Clerk of the
Board of Commissioners

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within mentioned Indenture.

Date of Authentication: _____

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Signatory

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

(Name and Address of Assignee)

the within Bond and does hereby irrevocably constitute and appoint _____, Attorney, to transfer the said Bond on the Bond Register with full power of substitution in the premises.

Dated: _____ Signed: _____

Signature guaranteed: _____

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

Signature(s) must be guaranteed by an “eligible guarantor institution” meeting the requirements of the Trustee, which requirements include membership or participation in STAMP or such other “signature guaranty program” as may be determined by the Trustee in addition to or in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

EXHIBIT B

**REQUISITION NO. ____
(PROJECT ACCOUNT OF LOAN FUND)**

To: U.S. BANK NATIONAL ASSOCIATION, as Trustee
Seattle, Washington

Re: **The Housing Authority of the County of Los Angeles
Variable Rate Demand Multifamily Housing Revenue Bonds
(Castaic Senior Apartments Project), Series 2003C**

You are requested to disburse funds from the Account or Fund listed below the amount(s), to the person(s) and for the purpose(s) set forth in Schedule I to this requisition (the "Requisition"). The terms used in this Requisition shall have the meanings given to those terms in the Trust Indenture (the "Indenture"), dated as of June 1, 2003, by and between The Housing Authority of the County of Los Angeles, and you, as Trustee, securing the above-referenced Bonds.

1. FUND AND ACCOUNTS: As shown on attached closing memo attached hereto as Schedule I
2. REQUISITION NO.: ____
3. PAYMENT DUE TO: See Schedule I
4. TOTAL AMOUNT TO BE DISBURSED:
5. The amounts requested to be disbursed pursuant to this Requisition will be used to pay costs of the Project detailed in Schedule I attached to this Requisition.
6. The undersigned certifies that:
 - (i) the amounts included in 4 above were made or incurred or financed and were necessary for the Project and were made or incurred in accordance with the construction contracts, plans and specifications heretofore in effect;
 - (ii) the amounts paid or to be paid, as set forth in this Requisition, represent a part of the funds due and payable for costs of the Project, such funds were not paid in advance of the time, if any, fixed for payment and such funds are due in accordance with the terms of any contracts applicable to the Project and in accordance with usual and customary practice under existing conditions;
 - (iii) the expenditures for which amounts are requisitioned represent proper charges against the funds and accounts referenced in Schedule I, have not been included in any previous requisition, have been properly recorded on the Borrower's books and are set forth in Schedule I, with paid invoices attached for any sums for which

reimbursement is requested;

(iv) the moneys requisitioned are not greater than those necessary to meet obligations due and payable or to reimburse the Borrower for its funds actually advanced for costs of the Project and do not represent a reimbursement to the Borrower for working capital;

(v) the amount remaining in the Loan Fund, together with expected Investment Income on the funds and accounts held under the Indenture, in addition to those funds identified in the Reimbursement Agreement that remain available to the Borrower for the payment of costs of the Project, will, after payment of the amount requested by this Requisition, be sufficient to pay the costs of completing the Project substantially in accordance with the construction contracts, plans and specifications and building permits therefor, if any, currently in effect;

(vi) all of the funds being requisitioned are being used in compliance with all tax covenants set forth in the Indenture, the Financing Agreement and the Regulatory Agreement;

(vii) not less than 97% (95% with an Opinion of Bond Counsel) of the sum of:

(A) the amounts requisitioned by this Requisition; plus

(B) all amounts previously requisitioned and disbursed from the funds and accounts which constitute proceeds of the Bonds;

have been or will be applied by the Borrower to pay qualified costs of the Project;

(viii) the Borrower is not in default under the Financing Agreement, the Regulatory Agreement or the Loan Documents and nothing has occurred to the knowledge of the Borrower that would prevent the performance of its obligations under the Financing Agreement, the Regulatory Agreement or the Loan Documents; and

(ix) no amounts being requisitioned by this Requisition will be used to pay, or reimburse, any Costs of Issuance incurred in connection with the issuance of the Bonds, except as may have been requisitioned from the Costs of Issuance Fund as indicated on Schedule I.

7. Attached to this Requisition is Schedule I, together with copies of invoices or bills of sale covering all items for which payment is being requested.

Dated: _____

CASTAIC SENIOR COMMUNITIES, L.P.,
a California limited partnership

By: _____
Authorized Borrower Representative

APPROVED BY U.S. BANK NATIONAL ASSOCIATION

By: _____
Authorized Construction Lender Representative

Schedule I to Requisition No. 1
Loan Fund

<u>Account</u>	<u>Payee Name and Address</u>	<u>Purpose for Payment</u>	<u>Amount of Payment</u>
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EXHIBIT C

**REQUISITION NO. ____
(COSTS OF ISSUANCE FUND)**

To: U.S. BANK NATIONAL ASSOCIATION, as Trustee
Seattle, Washington

Re: **The Housing Authority of the County of Los Angeles
Variable Rate Demand Multifamily Housing Revenue Bonds
(Castaic Senior Apartments Project), Series 2003C**

You are requested to disburse funds from the Fund listed below in the amounts and to the persons set forth in Schedule I to this requisition (the "Requisition"). The terms used in this Requisition shall have the meanings given to those terms in the Trust Indenture, dated as of June 1, 2003 (the "Indenture"), by and between The Housing Authority of the County of Los Angeles, and you, as Trustee, securing the above-referenced Bonds.

1. FUND OR ACCOUNT: Costs of Issuance Fund
2. REQUISITION NO.: ____
3. PAYMENT DUE TO: See Schedule I
4. TOTAL AMOUNT TO BE DISBURSED: \$ _____
5. The amounts requested to be disbursed pursuant to this Requisition will be used to pay Costs of Issuance detailed in Schedule I attached to this Requisition.
6. The undersigned certifies that:
 - (i) the amounts included in 4 above were made or incurred and were necessary Costs of Issuance and were made or incurred in accordance with the Indenture and the Financing Agreement; and
 - (ii) the expenditures for which amounts are requisitioned represent proper charges against the applicable account of the Costs of Issuance Fund, have not been included in any previous requisition, have been properly recorded on the Borrower's books and are set forth in Schedule I, with paid invoices attached for any sums for which reimbursement is requested.

7. Attached to this Requisition is Schedule I, together with copies of invoices or bills of sale covering all items for which payment is being requested.

Dated: _____

CASTAIC SENIOR COMMUNITIES, L.P.,
a California limited partnership

By: _____
Authorized Borrower Representative

APPROVED BY U.S. BANK NATIONAL ASSOCIATION

By: _____
Authorized Construction Lender Representative

Schedule I to Requisition No. 1
Costs of Issuance Fund

Payee Name and Address

Purpose for Payment

Amount of Payment

ARTICLE I
DEFINITIONS AND INTERPRETATION

SECTION 1.1	Definitions.....	4
SECTION 1.2	Rules of Construction	24

ARTICLE II
THE BONDS

SECTION 2.1	Authorized Amount of Bonds.....	25
SECTION 2.2	Issuance of Bonds	25
SECTION 2.3	Payment of Principal and Interest	26
SECTION 2.4	Limited Obligations	26
SECTION 2.5	Weekly Variable Rate Mode.....	26
SECTION 2.6	Reset Rate Mode	27
SECTION 2.7	Fixed Rate Mode.....	27
SECTION 2.8	Mode Adjustments	28
SECTION 2.9	Credit Facility Requirement.....	31
SECTION 2.10	Certain General Provisions Concerning Modes and Interest Rates	31
SECTION 2.11	Temporary Bonds.....	33
SECTION 2.12	Execution	33
SECTION 2.13	Authentication.....	33
SECTION 2.14	Mutilated, Lost, Stolen or Destroyed Bonds.....	34
SECTION 2.15	Securities Depository Provisions	34
SECTION 2.16	Bond Registrar; Exchange and Transfer of Bonds; Persons Treated as the Bondholders.....	35
SECTION 2.17	Cancellation	36
SECTION 2.18	Conditions for Delivery of Bonds.....	36

ARTICLE III
REDEMPTION OF BONDS

SECTION 3.1	Redemption	37
SECTION 3.2	Optional Redemption	37
SECTION 3.3	Mandatory Redemption	39
SECTION 3.4	Notice of Redemption to Registered Owners	40
SECTION 3.5	Redemption Payments	42
SECTION 3.6	Selection of Bonds to be Redeemed Upon Partial Redemption	43
SECTION 3.7	Purchase of Bonds in Whole in Lieu of Redemption	43
SECTION 3.8	Special Purchase in Lieu of Redemption	43

ARTICLE IV PURCHASE AND REMARKETING OF BONDS

SECTION 4.1	Purchase of Bonds on any Business Day	45
SECTION 4.2	Mandatory Tender and Purchase	47
SECTION 4.3	Remarketing of Bonds	48
SECTION 4.4	Pledged Bonds	51
SECTION 4.5	No Sales After Wrongful Dishonor; No Purchase After Acceleration	52

ARTICLE V FUNDS AND ACCOUNTS

SECTION 5.1	Creation of Funds and Accounts	52
SECTION 5.2	Initial Deposits	52
SECTION 5.3	Loan Fund	53
SECTION 5.4	Revenue Fund - Interest Account	55
SECTION 5.5	Revenue Fund - Redemption Account	56
SECTION 5.6	Revenue Fund - Credit Facility Account	58
SECTION 5.7	Revenue Fund - Fees Account	58
SECTION 5.8	Costs of Issuance Fund	59
SECTION 5.9	Rebate Fund	59
SECTION 5.10	Bond Purchase Fund	60
SECTION 5.11	Principal Reserve Fund	61
SECTION 5.12	Moneys to be Held in Trust	62
SECTION 5.13	Records	62
SECTION 5.14	Reports by the Trustee	62
SECTION 5.15	Moneys Held for Particular Bonds	63
SECTION 5.16	Nonpresentment of Bonds	63
SECTION 5.17	Disposition of Remaining Moneys	63

ARTICLE VI INVESTMENTS

SECTION 6.1	Investment Limitations	63
SECTION 6.2	Trustee's Authority and Responsibilities	64

ARTICLE VII REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE ISSUER

SECTION 7.1	Issuer's Representations and Warranties	64
SECTION 7.2	Issuer's Covenants	65
SECTION 7.3	Limitations on Liability	65
SECTION 7.4	Further Assurances	66
SECTION 7.5	Enforcement	66
SECTION 7.6	Tax Covenants	67

**ARTICLE VIII
CREDIT FACILITY; ALTERNATE CREDIT FACILITY;
LETTER OF CREDIT**

SECTION 8.1	Acceptance of the Credit Facility	67
SECTION 8.2	Requests for Advances Under Credit Facility	67
SECTION 8.3	Return of Payments Under the Credit Facility.....	68
SECTION 8.4	Alternate Credit Facility	68
SECTION 8.5	Extension of Credit Facility	68
SECTION 8.6	Limitations on Rights of Credit Provider.....	69
SECTION 8.7	References to Credit Provider When No Credit Facility Is In Effect	69
SECTION 8.8	Certain Notices to the Credit Provider and the Loan Servicer.....	69
SECTION 8.9	Credit Provider to Control Insolvency Proceedings	69
SECTION 8.10	Construction Phase Financing Agreement; Assignment of Rights to Construction Lender.....	70

**ARTICLE IX
DISCHARGE OF LIEN**

SECTION 9.1	Discharge of Lien and Security Interest.....	70
SECTION 9.2	Payment of Outstanding Amounts	71
SECTION 9.3	Defeasance	72

**ARTICLE X
DEFAULT PROVISIONS AND REMEDIES**

SECTION 10.1	Events of Default; Preliminary Notice.....	73
SECTION 10.2	Acceleration	75
SECTION 10.3	Other Remedies.....	75
SECTION 10.4	Preservation of Security and Remedies if Payment Under Credit Facility is Not Made or is Insufficient; Rights of Bondholders.....	76
SECTION 10.5	Remedies Not Exclusive; Delay or Omission.....	76
SECTION 10.6	Waiver.....	76
SECTION 10.7	Rights of the Credit Provider and the Bondholders to Direct Proceedings; Rights and Limitations Applicable to Bondholders, Issuer and Trustee.....	77
SECTION 10.8	Discontinuance of Proceedings.....	77
SECTION 10.9	Possession of Bonds.....	78
SECTION 10.10	Application of Moneys	78

ARTICLE XI THE TRUSTEE AND TENDER AGENT

SECTION 11.1	Appointment of Trustee; Duties.....	79
SECTION 11.2	Qualification	82
SECTION 11.3	Fees; Expenses	83
SECTION 11.4	Merger; Consolidation	83
SECTION 11.5	Resignation or Removal of Trustee	83
SECTION 11.6	Appointment of Successor Trustee	83
SECTION 11.7	Transfer of Rights and Mortgaged Property to Successor Trustee	84
SECTION 11.8	Power To Appoint Co-Trustees and Separate Trustees	84
SECTION 11.9	Filing of Financing Statements	85
SECTION 11.10	Tender Agent	85
SECTION 11.11	Resignation or Removal of Tender Agent	86

ARTICLE XII SUPPLEMENTAL INDENTURES; AMENDMENTS

SECTION 12.1	Supplemental Indentures Not Requiring Bondholder Consent.....	86
SECTION 12.2	Supplemental Indentures Requiring Bondholder Consent.....	88
SECTION 12.3	No Bondholder Consent Required for Amendment to Loan Documents	89
SECTION 12.4	Amendments to the Credit Facility	89
SECTION 12.5	Notice to and Consent of Bondholders	89
SECTION 12.6	Required Approvals	90
SECTION 12.7	Opinions of Counsel	90
SECTION 12.8	Notation of Modification on Bonds; Preparation of New Bonds	90

ARTICLE XIII MISCELLANEOUS

SECTION 13.1	Consents, Etc., of Bondholders.....	90
SECTION 13.2	Limitation of Rights.....	91
SECTION 13.3	Severability	91
SECTION 13.4	Notices	91
SECTION 13.5	Action Required to be taken on a Non-Business Day.....	95
SECTION 13.6	Binding Effect.....	96
SECTION 13.7	Governing Law	96
SECTION 13.8	No Personal Liability; No Recourse	96
SECTION 13.9	Counterparts.....	96

EXHIBIT A - FORM OF BOND	A-1
EXHIBIT B - FORM OF REQUISITION (PROJECT ACCOUNT OF LOAN FUND).....	B-1
EXHIBIT C - FORM OF REQUISITION (COST	

REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS

This REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (as supplemented and amended from time to time, this "Regulatory Agreement") is made and entered into as of June 1, 2003, by and among THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES, a public body corporate and politic duly organized and existing under the laws of the State of California (together with any successor to its rights, duties and obligations, the "Issuer"), U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, as Trustee (the "Trustee") under that certain Trust Indenture, of even date herewith (the "Indenture"), between the Issuer and the Trustee, relating to the Bonds (as hereafter defined), and CASTAIC SENIOR COMMUNITIES, L.P., a California limited partnership (together with any successor to its rights, duties and obligations hereunder and as owner of the Project identified herein, the "Borrower").

W I T N E S S E T H:

WHEREAS, pursuant to Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California, as amended and supplemented (the "Act"), the Issuer proposes to issue its Variable Rate Demand Multifamily Housing Revenue Bonds (Castaic Senior Apartments Project), Series 2003C (the "Bonds") under the Indenture;

WHEREAS, the proceeds of the Bonds will be used to fund a loan to the Borrower pursuant to the Financing Agreement in order to enable the Borrower to finance the acquisition and construction of a 150-unit multifamily rental housing project known as Castaic Senior Apartments Project, located on the real property site described in Exhibit A hereto (the "Project"); and

WHEREAS, in order to assure the Issuer and the owners of the Bonds that interest on the Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), and to satisfy the public purposes for which the Bonds are authorized to be issued under the Act, and to satisfy the purposes of the Issuer in determining to issue the Bonds, certain limits on the occupancy of units in the Project need to be established and certain other requirements need to be met;

NOW, THEREFORE, in consideration of the issuance of the Bonds by the Issuer and the mutual covenants and undertakings set forth herein, and other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the Issuer, the Trustee and the Borrower hereby agree as follows:

Section 1. Definitions and Interpretation. Unless the context otherwise requires, the capitalized terms used herein shall have the respective meanings assigned to them in the recitals hereto, in this Section 1 or in Section 1.1 of the Indenture.

"Adjusted Income" means the adjusted income of a person (together with the adjusted income of all persons who intend to reside with such person in one residential unit) as calculated in the manner prescribed in Regulations Section 1.167(k)-3(b)(3) in effect as of the Closing Date.

"Affordable Rents" means a monthly rent (excluding any supplemental rental assistance from the State, the federal government or any other public agency to those tenants or on behalf of those units) which does not exceed 30 percent of 50 percent of one-twelfth of the Area median income,

adjusted for family size as established under Section 8 of the United States Housing Act of 1937, as amended, based upon the following household sizes for various types of residential units in the Project:

<u>Type of Unit</u>	<u>Assumed Household Size</u>
<u>Studio</u>	<u>1 person</u>
<u>One bedroom</u>	<u>2 persons</u>
<u>Two bedrooms</u>	<u>3 persons</u>
<u>Three bedrooms</u>	<u>4 persons</u>
<u>Four bedrooms</u>	<u>5 persons</u>

“Area” means the Los Angeles-Long Beach Primary Metropolitan Statistical Area.

“CDLAC” means the California Debt Limit Allocation Committee or its successors.

“CDLAC Conditions” shall have its meeting set forth in Section 7(i).

“Certificate of Continuing Program Compliance” means the Certificate to be filed by the Borrower with the Issuer, the Program Monitor, if applicable, and the Trustee pursuant to Section 4(e) hereof, which shall be substantially in the form attached as Exhibit C hereto or in such other comparable form as may be provided by the Issuer to the Borrower.

“Closing Date” means the date of the issuance and delivery of the Bonds.

“Housing Act” means the United States Housing Act of 1937, as amended, or its successor.

“Income Certification” means a Verification of Income and an Occupancy Certificate in the form attached as Exhibit B hereto or in such other comparable form as may be provided by the Issuer to the Borrower.

“Program Monitor” means any program monitor or program monitor appointed by the Issuer to administer this Regulatory Agreement, and any successor so appointed. The initial Program Monitor shall be the Issuer.

“Project” means the multifamily rental housing development known as Castaic Senior Apartments Project, located on the real property site described in Exhibit A hereto, consisting of those facilities, including real property, structures, buildings, fixtures or equipment situated thereon, as it may at any time exist, the acquisition of which facilities is to be financed, in whole or in part, from the proceeds of the sale of the Bonds or the proceeds of any payment by the Borrower pursuant to the Indenture, and any real property, structures, buildings, fixtures or equipment acquired in substitution for, as a renewal or replacement of, or a modification or improvement to, all or any part of the facilities described in Exhibit A to the Security Instrument.

“Qualified Project Period” means the period beginning on the first day on which at least ten percent (10%) of the units in the Project are first occupied and ending on the later of the following:

(A) the date that is fifteen (15) years after the date on which at least fifty percent (50%) of the units in the Project are first occupied;

(B) the first date on which no Tax-Exempt private activity bonds with respect to the Project are Outstanding; or

(C) the date on which any assistance provided with respect to the Project under Section 8 of the Housing Act terminates;

provided that, unless otherwise amended or modified in accordance with the terms hereof, the Qualified Project Period for purposes of this Regulatory Agreement shall be 30 years from the Closing Date, as required by the CDLAC Conditions.

“Regulations” means the Income Tax Regulations of the Department of the Treasury applicable under the Code from time to time.

“Regulatory Agreement” means this Regulatory Agreement, as it may be supplemented and amended from time to time.

“Tax-Exempt” means with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from gross income for federal income tax purposes; provided, however, that such interest may be includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax, under the Code.

“Verification of Income” means a Verification of Income in the form attached as Exhibit B hereto or in such other comparable form as may be provided by the Issuer to the Borrower.

“Very Low Income Tenant” means any tenant (i) whose Adjusted Income does not exceed limits determined in a manner consistent with determinations of very low income families under Section 8 of the Housing Act, except that the percentage of median gross income that qualifies as very low income shall be fifty percent (50%) of median gross income for the Area with adjustments for family size; and (ii) whose income does not exceed the qualifying limits for very low income families as established and amended from time to time pursuant to Section 8 of the Housing Act, or who otherwise qualify as very low income households as defined by Section 50105 of the California Health and Safety Code. If all the occupants of a unit are students (as defined under Section 151(e)(4) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code, such occupants shall not qualify as Very Low Income Tenants. The determination of a tenant’s status as a Very Low Income Tenant shall be made by the Borrower upon initial occupancy of a unit in the Project by such tenants, on the basis of an Income Certification executed by the tenant.

“Very Low Income Units” means the units in the Project required to be rented, or held available for occupancy by, Very Low Income Tenants pursuant to Sections 4(a), 6(a), 6(b) and 7(a) hereof.

Unless the context clearly requires otherwise, as used in this Regulatory Agreement, words of any gender shall be construed to include each other gender when appropriate and words of the singular number shall be construed to include the plural number, and vice versa, when appropriate. This Regulatory Agreement and all the terms and provisions hereof shall be construed to effectuate the purposes set forth herein and to sustain the validity hereof.

The titles and headings of the sections of this Regulatory Agreement have been inserted for convenience of reference only, and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof or be considered or given any effect in construing this Regulatory Agreement or any provisions hereof or in ascertaining intent, if any question of intent shall arise.

The parties to this Regulatory Agreement acknowledge that each party and their respective counsel have participated in the drafting and revision of this Regulatory Agreement. Accordingly, the parties agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Regulatory Agreement or any supplement or exhibit hereto.

Section 2. Representations, Covenants and Warranties of the Borrower.

- (a) The Borrower hereby incorporates herein, as if set forth in full herein, each of the representations, covenants and warranties of the Borrower contained in the Tax Certificate relating to the Project.

- (b) The Borrower hereby represents and warrants that the Project is located entirely within the County of Los Angeles, California.
- (c) The Borrower acknowledges, represents and warrants that it understands the nature and structure of the transactions contemplated by this Regulatory Agreement; that it is familiar with the provisions of all of the documents and instruments relating to the Bonds to which it is a party or of which it is a beneficiary; that it understands the financial and legal risks inherent in such transactions; and that it has not relied on the Issuer for any guidance or expertise in analyzing the financial or other consequences of such financing transactions or otherwise relied on the Issuer in any manner except to issue the Bonds in order to provide funds to assist the Borrower in acquiring and rehabilitating the Project.

Section 3. Qualified Residential Rental Project. The Borrower hereby acknowledges and agrees that the Project is to be owned, managed and operated in the same manner as a “residential rental project” (within the meaning of Section 142(d) of the Code) for a term equal to the Qualified Project Period. To that end, and for the term of this Regulatory Agreement, the Borrower hereby represents, covenants, warrants and agrees as follows:

- (a) The Project will be acquired and operated for the purpose of providing multifamily residential rental property. The Borrower will own, manage and operate the Project as a project to provide multifamily residential rental property comprised of a building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities, and no other facilities, in accordance with Section 142(d) of the Code, Section 1.103-8(b) of the Regulations and the provisions of the Act, and in accordance with such requirements as may be imposed thereby on the Project from time to time.
- (b) All of the dwelling units in the Project are and will be similarly constructed units, and each dwelling unit in the Project contain and will contain complete separate and distinct facilities for living, sleeping, eating, cooking and sanitation for a single person or a family, including a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range, refrigerator and sink.
- (c) None of the dwelling units in the Project will at any time be utilized on a transient basis or rented for a period of less than 30 consecutive days, or will ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, rest home or trailer court or park.
- (d) No part of the Project will at any time during the Qualified Project Period be owned by a cooperative housing corporation, nor shall the Borrower take any steps in connection with a conversion to such ownership or use, and the Borrower will not take any steps in connection with a conversion of the Project to condominium ownership during the Qualified Project Period (except that the Borrower may obtain final map approval and the Final Subdivision Public Report from the California Department of Real Estate and may file a condominium plan with the County of Los Angeles).

- (e) All of the dwelling units in the Project (except for not more than one unit set aside for resident manager or other administrative use) will be available for rental during the Qualified Project Period on a continuous basis to members of the general public, on a first-come, first-served basis, and the Borrower will not give preference to any particular class or group in renting the dwelling units in the Project, except to the extent that dwelling units are required to be leased or rented to Very Low Income Tenants.
- (f) The Project consists of a parcel or parcels that are contiguous except for the interposition of a road, street or stream, and all of the facilities of the Project comprise a single geographically and functionally integrated project for residential rental property, as evidenced by the ownership, management, accounting and operation of the Project.
- (g) No dwelling unit in the Project shall be occupied by the Borrower; provided, however, that if the Project contains five or more dwelling units, this provision shall not be construed to prohibit the occupancy of a dwelling unit by resident managers or maintenance personnel, any of whom may be the Borrower.
- (h) Within 30 days after the date on which 10% of the dwelling units in the Project are occupied, the Borrower shall deliver to the Issuer and the Trustee a written notice specifying such date, and within 30 days after the date on which 50% of the dwelling units in the Project are occupied, the Borrower shall deliver to the Issuer and the Trustee a written notice specifying such date and the beginning and ending dates of the Qualified Project Period. The Borrower shall cause a copy of such notice to be recorded in the Official Records of the County of Los Angeles, California.

Section 4. Very Low Income Tenants; Reporting Requirements. Pursuant to the requirements of the Code, the Borrower hereby represents, warrants and covenants as follows:

- (a) During the Qualified Project Period no less than 20% of the total number of completed units in the Project shall at all times be rented to and occupied by Very Low Income Tenants. For the purposes of this paragraph (a), a vacant unit which was most recently occupied by a Very Low Income Tenant is treated as rented and occupied by a Very Low Income Tenant until reoccupied, other than for a temporary period of not more than 31 days, at which time the character of such unit shall be redetermined.
- (b) No tenant qualifying as a Very Low Income Tenant upon initial occupancy shall be denied continued occupancy of a unit in the Project because, after admission, such tenant's Adjusted Income increases to exceed the qualifying limit for Very Low Income Tenants. However, should a Very Low Income Tenant's Adjusted Income, as of the most recent determination thereof, exceed one hundred forty percent (140%) of the applicable income limit for a Very Low Income Tenant of the same family size, the next available unit of comparable or smaller size must be rented to (or held vacant and available for immediate occupancy by) a Very Low Income Tenant. Until such next available unit is rented, the former Very Low Income Tenant who has ceased to qualify as such shall be deemed to continue to be a Very Low Income Tenant for purposes of the twenty percent (20%) requirement of Section 4(a) hereof.

- (c) For the Qualified Project Period, the Borrower will obtain, complete and maintain on file Income Certifications for each Very Low Income Tenant, including (i) an Income Certification dated, with respect to existing Very Low Income Tenants, within 60 days after the date that the Borrower acquires the Project and, with respect to new Very Low Income Tenants, immediately prior to the initial occupancy of such Very Low Income Tenant in the Project, and (ii) thereafter, an annual Income Certification with respect to each Very Low Income Tenant; provided that such certification with respect to any tenant shall in no case cover a period greater than one year. The Borrower will provide such additional information as may be required in the future by the Code, the State or the Issuer, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures, Regulations or other official statements now or hereafter promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service with respect to Tax-Exempt obligations. A copy of the most recent Income Certifications for Very Low Income Tenants commencing or continuing occupation of a Very Low Income Unit shall be attached to each report to be filed with the Issuer pursuant to paragraph (e) of this Section 4.

The Borrower shall make a good faith effort to verify that the income information provided by an applicant in a Verification of Income is accurate by taking one or more of the following steps as a part of the verification process: (1) obtain a pay stub for the most recent pay period, (2) obtain an income tax return for the most recent tax year, (3) obtain a credit report or conduct a similar type credit search, (4) obtain an income verification from the applicant's current employer, (5) obtain an income verification from the Social Security Administration and/or the California Department of Social Services if the applicant receives assistance from either of such agencies, or (6) if the applicant is unemployed and does not have an income tax return, obtain another form of independent verification reasonably acceptable to the Issuer.

- (d) The Borrower will maintain complete and accurate records pertaining to the Very Low Income Units, and will permit any duly authorized representative of the Issuer, the Trustee, the Department of the Treasury or the Internal Revenue Service to inspect the books and records of the Borrower pertaining to the Project, including those records pertaining to the occupancy of the Very Low Income Units.

- (e) The Borrower will prepare and submit to the Issuer, the Program Monitor, if applicable, and the Trustee, no later than the fifteenth day of each calendar quarter, until the end of the Qualified Project Period, a Certificate of Continuing Program Compliance executed by the Borrower stating (i) the percentage of the dwelling units of the Project that were occupied or deemed occupied pursuant to subsection (a) hereof, by Very Low Income Tenants during the preceding calendar quarter; and (ii) that either (A) no un-remedied defaults by Borrower has occurred under this Regulatory Agreement, the Indenture or the Deed of Trust, or (B) a default has occurred, in which event the certificate shall describe the nature of the default in detail and set forth the measures being taken by the Borrower to remedy such default.

- (f) For the Qualified Project Period, all tenant leases or rental agreements shall be subordinate to this Regulatory Agreement and the Deed of Trust. All leases pertaining to Very Low Income Units shall contain clauses, among others, wherein each tenant who occupies a Very Low Income Unit: (i) certifies the accuracy of the statements

made in the Verification of Income; (ii) agrees that the family income and other eligibility requirements shall be deemed substantial and material obligations of the tenancy of such tenant, that such tenant will comply promptly with all requests for information with respect thereto from the Borrower, the Trustee, the Issuer or the Program Monitor on behalf of the Issuer, and that the failure to provide accurate information in the Verification of Income or refusal to comply with a request for information with respect thereto shall be deemed a violation of a substantial obligation of the tenancy of such tenant; (iii) acknowledges that the Borrower has relied on the Verification of Income and supporting information supplied by the Very Low Income Tenant in determining qualification for occupancy of the Very Low Income Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease or rental agreement; and (iv) agrees that the tenant's income is subject to annual certification in accordance with Section 4(c) and that if upon any such certification such tenant's Adjusted Income exceeds the applicable income limit under Section 4(b), such tenant may cease to qualify as a Very Low Income Tenant and such tenant's rent may be subject to increase.

Section 5. Tax-Exempt Status of Bonds. The Borrower and the Issuer, as applicable, each hereby represents, warrants and agrees as follows:

- (a) The Borrower and the Issuer will not knowingly take or permit, or omit to take or cause to be taken, as is appropriate, any action that would adversely affect the Tax-Exempt nature of the interest on the Bonds and, if either of them should take or permit, or omit to take or cause to be taken, any such action, it will take all lawful actions necessary to rescind or correct such actions or omissions promptly upon obtaining knowledge thereof.
- (b) The Borrower and the Issuer will file of record such documents and take such other steps as are necessary, in the written opinion of Bond Counsel filed with the Issuer and the Trustee, in order to insure that the requirements and restrictions of this Regulatory Agreement will be binding upon all owners of the Project, including, but not limited to, the execution and recordation of this Regulatory Agreement in the real property records of the County of Los Angeles.
- (c) The Borrower hereby covenants to include or reference the requirements and restrictions contained in this Regulatory Agreement in any documents transferring any interest in the Project to another person to the end that such transferee has notice of, and is bound by, such restrictions, and, to obtain the agreement from any transferee to abide by all requirements and restrictions of this Regulatory Agreement.

Section 6. Additional Requirements of the Act. In addition to the requirements set forth above, the Borrower hereby agrees that it shall comply with each of the requirements of the Act applicable to the project without limiting the foregoing, the Borrower agrees as follows:

- (a) Not less than 20% of the total number of units in the Project shall be available for occupancy on a priority basis by "low income tenants" as required by subsection 34312.3 (c) of the Act, one-half of which units shall be made available to Very Low Income Tenants

- (b) The rental payments for the Very Low Income Units paid by the tenants thereof (excluding any supplemental rental assistance from the State, the federal government or any other public agency to those tenants or on behalf of those units) shall not exceed 30% of an amount equal to 50% of the median adjusted gross income for the Area.
- (c) Subject to any Section 8 contract for the Project, the Borrower shall accept as tenants, on the same basis as all other prospective tenants, very low-income persons who are recipients of federal certificates or vouchers for rent subsidies pursuant to the existing program under Section 8 of the Housing Act. The Borrower shall not permit any selection criteria to be applied to Section 8 certificate or voucher holders that is more burdensome than the criteria applied to all other prospective tenants.
- (d) No tenant residing in a unit reserved as required by subsection (a) of this Section shall be denied continued occupancy of a unit in the Project because, after admission, such tenant's Adjusted Income increases to exceed the qualifying limit for low income tenants or Very Low Income Tenants. However, should the Adjusted Income of a tenant residing in a reserved unit increase to exceed the qualifying limit, the next available unit must be rented to (or held vacant and available for immediate occupancy by) a tenant whose income satisfies the requirement of Section 4(a) hereof. Until such next available unit is rented to a qualified tenant, the former low income tenant or Very Low Income Tenant who has ceased to qualify as such shall be deemed to continue to be a low income tenant or Very Low Income Tenant for purposes of the requirement of Section 4(a) hereof.
- (e) The units reserved for occupancy as required by subsection (a) of this Section shall remain available on a priority basis for occupancy until the Bonds are retired or at all times during the Qualified Project Period.

Section 7. Additional Requirements of the Issuer. In addition to the requirements set forth above and to the extent not prohibited thereby, the Borrower hereby agrees to comply with each of the requirements of the Issuer set forth in this Section 7, as follows:

- (a) Not less than 20% of the units in the Project shall be available on a priority basis for occupancy by Very Low Income Tenants paying rents not to exceed Affordable Rents. The requirements of this Section and Sections 4(a) and 6(a) are not cumulative, but each must be satisfied.
- (b) The Borrower will pay to the Issuer all of the amounts required to be paid to the Issuer by Sections 2.5 of the Financing Agreement, and will indemnify the Issuer and the Trustee as provided in Article VI of the Financing Agreement and Section 9 hereof.
- (c) All tenant lists, applications and waiting lists relating to the Project shall at all times be kept separate and identifiable from any other business of the Borrower and shall be maintained as required by the Issuer, in a reasonable condition for proper audit and subject to examination during business hours by representatives of the Issuer.
- (d) The Borrower shall submit to the Issuer, (i) not later than the fifteenth (15th) day after the close of each calendar year, a statistical report in the form set forth as Exhibit D hereto, or such other form as may be reasonably prescribed by the Issuer, setting

forth the information called for therein, and (ii) within fifteen (15) days after receipt of a written request, any other information or completed forms requested by the Issuer in order to comply with reporting requirements of the Internal Revenue Service or the State of California.

- (e) The covenants and conditions of this Regulatory Agreement shall be binding upon successors in interest of the Borrower.
- (f) Each of the requirements of Sections 3, 4 and 6 hereof is hereby incorporated as a specific requirement of the Issuer, whether or not required by California or federal law, and shall be in force for the Qualified Project Period.
- (g) The Borrower acknowledges that the Issuer may appoint a Program Monitor other than the Issuer (at no additional cost to the Borrower) to administer this Regulatory Agreement and to monitor performance by the Borrower of the terms, provisions and requirements hereof. In such event, the Borrower shall comply with any request by the Issuer to deliver to any such Program Monitor, in addition to or instead of the Issuer, any reports, notices or other documents required to be delivered pursuant hereto, and to make the Project and the books and records with respect thereto available for inspection by the Program Monitor as an agent of the Issuer.
- (h) The Trustee will collect the annual administration fee for the Issuer in an amount equal to \$11,625 from the Borrower, payable in advance on each anniversary of the Closing Date (commencing on the Closing Date and continuing through the termination of this Regulatory Agreement), which the Trustee shall collect pursuant to the Indenture and remit to the Issuer as provided therein. The Borrower will also pay, within thirty (30) days after receipt of request for payment thereof, all reasonable out-of-pocket expenses of the Issuer (not including salaries and wages of Issuer employees) related to the Project and the financing thereof that are not otherwise required to be paid by the Borrower under the terms of this Regulatory Agreement or the Financing Agreement, including, without limitation, reasonable legal fees and expenses incurred in connection with the interpretation, performance, enforcement or amendment of any documents relating to the Project, the Loan or the Bonds. Notwithstanding any prepayment of the Loan and notwithstanding a discharge of the Bonds, the Borrower shall continue to pay (or, to the extent allowed under the Code, may prepay the present value at such time of) the Issuer's fees, unless such prepayment is made in connection with a refunding of the Bonds.
- (i) The Borrower shall comply with the conditions set forth in Exhibit A-2 of that certain CDLAC Resolution No. 03-54 relating to the Project and adopted on March 26, 2003 (the "CDLAC Conditions"), as they may be modified or amended from time to time, which conditions are incorporated herein by reference and made a part hereof. The Borrower will prepare and submit to CDLAC, not later than each anniversary of the Closing Date, until the end of the Qualified Project Period, a Certificate of CDLAC Program Compliance, in substantially the form attached hereto as Exhibit E, executed by an authorized representative of the Borrower. The Issuer and the Program Monitor shall have no obligation to monitor the Borrower's compliance with the CDLAC Conditions.

Any of the foregoing requirements of the Issuer (except (i) above which may be expressly waived by CDLAC) may be expressly waived by the Issuer in writing, but (i) no waiver by the Issuer of any requirement of this Section 7 shall, or shall be deemed to, extend to or affect any other provision of this Regulatory Agreement except to the extent the Issuer has received an Opinion of Bond Counsel that any such provision is not required by the Act and may be waived without adversely affecting the exclusion from gross income of interest on the Bonds for federal income tax purposes; and (ii) any requirement of this Section 7 shall be void and of no force and effect if the Issuer and the Borrower receive a Opinion of Bond Counsel to the effect that compliance with any such requirement would cause interest on the Bonds to cease to be Tax-Exempt or to the effect that compliance with such requirement would be in conflict with the Act or any other state or federal law.

Section 8. Modification of Covenants. The Borrower, the Trustee and the Issuer hereby agree as follows:

- (a) To the extent any amendments to the Act, the Regulations or the Code shall, in the written opinion of Bond Counsel filed with the Issuer, the Trustee and the Borrower, retroactively impose requirements upon the ownership or operation of the Project more restrictive than those imposed by this Regulatory Agreement, and if such requirements are applicable to the Project, this Regulatory Agreement shall be deemed to be automatically amended to impose such additional or more restrictive requirements.
- (b) To the extent that the Act, the Regulations or the Code, or any amendments thereto, shall, in the written opinion of Bond Counsel addressed to the Issuer filed with the Issuer, the Trustee and the Borrower, impose requirements upon the ownership or operation of the Project less restrictive than imposed by this Regulatory Agreement, this Regulatory Agreement may be amended or modified to provide such less restrictive requirements but only by written amendment signed by the Issuer, at its sole discretion, the Trustee and the Borrower, and only upon receipt by the Issuer of the written opinion of Bond Counsel to the effect that such amendment will not affect the Tax-Exempt status of interest on the Bonds or violate the requirements of the Act, and otherwise in accordance with Section 22 hereof.
- (c) The Borrower, the Issuer and, if applicable, the Trustee, shall execute, deliver and, if applicable, file of record any and all documents and instruments necessary to effectuate the intent of this Section 8, and each of the Borrower and the Issuer hereby appoints the Trustee as its true and lawful attorney-in-fact to execute, deliver and, if applicable, file of record on behalf of the Borrower or the Issuer, as is applicable, any such document or instrument (in such form as may be approved in writing by Bond Counsel) if either the Borrower or the Issuer defaults in the performance of its obligations under this subsection (c); provided, however, that unless directed in writing by the Issuer or the Borrower, the Trustee shall take no action under this subsection (c) without first notifying the Borrower or the Issuer, or both of them, as is applicable, and without first providing the Borrower or the Issuer, or both, as is applicable, an opportunity to comply with the requirements of this Section 8. Nothing in this subsection (c) shall be construed to allow the Trustee to execute an amendment to this Regulatory Agreement on behalf of the Issuer.

Section 9. Indemnification; Other Payments. The Borrower hereby covenants and agrees that it shall indemnify and hold harmless the Issuer and the Trustee and their respective officers, members, directors, officials, employees, program participants and agents as set forth in Article VI of the Financing Agreement.

In addition thereto (but without duplication), the Borrower will pay upon demand all of the fees and expenses paid or incurred by the Trustee and/or the Issuer in enforcing the provisions hereof, as more fully set forth in Section 7.8 of the Financing Agreement.

The provisions of this Section 9 shall survive the term of the Bonds and this Regulatory Agreement; provided, however, the provisions of this Section shall, in the case of the Trustee, survive the term of this Regulatory Agreement or the resignation or removal of such Trustee.

Section 10. Consideration. The Issuer has agreed to issue the Bonds to provide funds to lend to the Borrower to finance the Project, all for the purpose, among others, of inducing the Borrower to acquire, rehabilitate and operate the Project. In consideration of the issuance of the Bonds by the Issuer, the Borrower has entered into this Regulatory Agreement and has agreed to restrict the uses to which this Project can be put on the terms and conditions set forth herein.

Section 11. Reliance. The Issuer and the Borrower hereby recognize and agree that the representations and covenants set forth herein may be relied upon by all persons interested in the legality and validity of the Bonds, in the exemption from California personal income taxation of interest on the Bonds and in the Tax-Exempt status of the interest on the Bonds. In performing their duties and obligations hereunder, the Issuer, the Program Monitor and the Trustee may rely upon statements and certificates of the Very Low Income Tenants, and upon audits of the books and records of the Borrower pertaining to the Project. In addition, the Issuer and the Trustee may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Issuer or the Trustee hereunder in good faith and in conformity with such opinion. In determining whether any default or lack of compliance by the Borrower exists under this Regulatory Agreement, the Trustee shall not be required to conduct any investigation into or review of the operations or records of the Borrower and may rely solely on any written notice or certificate delivered to the Trustee by the Borrower or the Issuer with respect to the occurrence or absence of a default unless it knows that the notice or certificate is erroneous or misleading.

Section 12. Sale or Transfer of the Project. For the Qualified Project Period, the Borrower shall not, except as provided below and in accordance with the Financing Agreement and the Security Instrument, sell, transfer or otherwise dispose of the Project, in whole or in part, without the prior written consent of the Issuer, which consent shall not be unreasonably withheld or delayed if the following conditions are satisfied: (A) the receipt by the Issuer of evidence acceptable to the Issuer that (1) the Borrower shall not be in default hereunder or under the Financing Agreement (which may be evidenced by a Certificate of Continuing Program Compliance) or the purchaser or assignee undertakes to cure any defaults of the Borrower to the reasonable satisfaction of the Issuer; (2) the continued operation of the Project shall comply with the provisions of this Regulatory Agreement; (3) either (a) the purchaser or assignee or its property manager has at least three years' experience in the ownership, operation and management of similar size rental housing

projects, and at least one year's experience in the ownership, operation and management of rental housing projects containing below-market-rate units, without any record of material violations of discrimination restrictions or other state or federal laws or regulations or local governmental requirements applicable to such projects, or (b) the purchaser or assignee agrees to retain a property management firm with the experience and record described in subclause (a) above, or (c) the transferring Borrower or its management company will continue to manage the Project for at least one year following such transfer and during such period will provide training to the transferee and its manager in the responsibilities relating to the Very Low Income Units; and (4) the person or entity which is to acquire the Project does not have pending against it, and does not have a history of significant and material building code violations or complaints concerning the maintenance, upkeep, operation, and regulatory agreement compliance of any of its projects as identified by any local, state or federal regulatory agencies; (B) the execution by the purchaser or assignee of any document reasonably requested by the Issuer or the Trustee with respect to the assumption of the Borrower's obligations under this Regulatory Agreement and, if the Bonds are outstanding at the time of transfer, the Financing Agreement, including without limitation an instrument of assumption hereof and thereof, and delivery to the Issuer of an opinion of such purchaser or assignee's counsel to the effect that each such document and this Regulatory Agreement are valid, binding and enforceable obligations of such purchaser or assignee, subject to bankruptcy and other standard limitations affecting creditor's rights; (C) receipt by the Issuer of an opinion of Bond Counsel addressed to the Issuer to the effect that any such sale, transfer or other disposition will not adversely affect the Tax-Exempt status of interest on the Bonds; (D) receipt by the Issuer and Trustee of all fees and/or expenses then currently due and payable to the Issuer and Trustee; and (E) satisfaction of such other conditions as the Issuer may reasonably impose. It is hereby expressly stipulated and agreed that any sale, transfer or other disposition of the Project in violation of this Section 12 shall be null, void and without effect, shall cause a reversion of title to the Borrower, and shall be ineffective to relieve the Borrower of its obligations under this Regulatory Agreement. Nothing in this Section shall affect any provision of any other document or instrument between the Borrower and any other party which requires the Borrower to obtain the prior written consent of such other party in order to sell, transfer or otherwise dispose of the Project or any interest (direct or indirect) therein or in the Borrower. Upon any sale or other transfer that complies with this Regulatory Agreement, the Borrower shall be fully released from its obligations hereunder to the extent such obligations have been fully assumed in writing by the transferee of the Project.

For the Qualified Project Period, the Borrower shall not: (1) encumber any of the Project or grant commercial leases of any part thereof, or permit the conveyance, transfer or encumbrance of any part of the Project, except pursuant or subordinate to the provisions of this Regulatory Agreement and the Security Instrument (and upon receipt by the Borrower of an opinion of Bond Counsel that such action will not adversely affect the Tax-Exempt status of interest on the Bonds; provided that such opinion will not be required with respect to any encumbrance, lease or transfer relating to a commercial operation or ancillary facility that will be available for tenant use and is customary to the operation of multifamily housing developments similar to the Project), or except upon a sale, transfer or other disposition of the Project in accordance with the terms of this Regulatory Agreement; (2) demolish any part of the Project or substantially subtract from any real or personal property of the Project, except to the extent that what is removed is

replaced with comparable property; or (3) permit the use of the dwelling accommodations of the Project for any purpose except rental residences.

Section 13. Term. This Regulatory Agreement and all and several of the terms hereof shall become effective upon its execution and delivery, and shall remain in full force and effect for the period provided herein and shall terminate as to any provision not otherwise provided with a specific termination date and shall terminate in its entirety at the end of the Qualified Project Period, it being expressly agreed and understood that the provisions hereof are intended to survive the retirement of the Bonds and discharge of the Indenture and the Financing Agreement.

The terms of this Regulatory Agreement to the contrary notwithstanding, the requirements hereof shall terminate and be of no further force and effect in the event of involuntary noncompliance with the provisions of this Regulatory Agreement caused by fire, seizure, requisition, change in a federal law or an action of a federal agency after the Closing Date, which prevents the Issuer and the Trustee from enforcing such provisions, or condemnation or foreclosure, transfer of title by deed in lieu of foreclosure, or a similar event, but only if, within a reasonable period, either the Bonds are retired or amounts received as a consequence of such event are used to provide a project that meets the requirements hereof; provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained herein shall be reinstated if, at any time subsequent to the termination of such provisions as the result of the foreclosure or the delivery of a deed in lieu of foreclosure or a similar event, the Borrower or any related person (within the meaning of Section 1.103-10(e) of the Regulations) obtains an ownership interest in the Project for federal income tax purposes. The Borrower hereby agrees that, following any foreclosure, transfer of title by deed in lieu of foreclosure or similar event, neither the Borrower nor any such related person as described above will obtain an ownership interest in the Project for federal tax purposes. Notwithstanding any other provision of this Regulatory Agreement, this Regulatory Agreement may be terminated upon agreement by the Issuer, the Trustee and the Borrower upon receipt by the Issuer and the Trustee of an opinion of Bond Counsel to the effect that such termination will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. Upon the termination of the terms of this Regulatory Agreement, the parties hereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms hereof; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of this Regulatory Agreement in accordance with its terms.

Section 14. Covenants to Run With the Land. Notwithstanding Section 1461 of the California Civil Code, the Borrower hereby subjects the Project to the covenants, reservations and restrictions set forth in this Regulatory Agreement. The Issuer and the Borrower hereby declare their express intent that the covenants, reservations and restrictions set forth herein shall be deemed covenants running with the land and shall pass to and be binding upon the Borrower's successors in title to the Project; provided, however, that on the termination of this Regulatory Agreement said covenants, reservations and restrictions shall expire. Each and every contract, deed or other instrument hereafter executed covering or conveying the Project or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments.

Section 15. Burden and Benefit. The Issuer and the Borrower hereby declare their understanding and intent that the burdens of the covenants set forth herein touch and concern the land in that the Borrower's legal interest in the Project is rendered less valuable thereby. The Issuer and the Borrower hereby further declare their understanding and intent that the benefits of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Project by Very Low Income Tenants, the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the public purposes for which the Bonds were issued.

Section 16. Uniformity; Common Plan. The covenants, reservations and restrictions hereof shall apply uniformly to the entire Project in order to establish and carry out a common plan for the use of the site on which the Project is located.

Section 17. Default; Enforcement. If the Borrower defaults in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in this Regulatory Agreement, and if such default remains uncured for a period of 60 days after notice thereof shall have been given by the Issuer or the Trustee to the Borrower, or for a period of 60 days from the date the Borrower should, with reasonable diligence, have discovered such default, then the Issuer or the Trustee (as directed by the Issuer, subject to the provisions of the Indenture) acting on its own behalf or on behalf of the Issuer, shall declare an "Event of Default" to have occurred hereunder; provided, however, that if the default is of such a nature that it cannot be corrected within 60 days, such default shall not constitute an Event of Default hereunder so long as (i) the Borrower institutes corrective action within said 60 days and diligently pursues such action until the default is corrected, (ii) in the opinion of Bond Counsel, the failure to cure said default within 60 days will not adversely affect the Tax-Exempt status of interest on the Bonds, and (iii) no Determination of Taxability occurs; and provided further, that notice shall be given to the Borrower's Limited Partner (as designated in Section 23 of this Regulatory Agreement), who shall be entitled to cure any such default under the conditions set forth herein. The Issuer and the Trustee shall have the right to enforce the obligations of the Borrower under this Regulatory Agreement within shorter periods of time than are otherwise provided herein if necessary to insure compliance with the Act or the Code.

Following the declaration of an Event of Default hereunder, the Issuer or the Trustee, at the direction of the Issuer, subject to the provisions of the Indenture, may take any one or more of the following steps, in addition to all other remedies provided by law or equity:

- (i) by mandamus or other suit, action or proceeding at law or in equity, including injunctive relief, require the Borrower to perform its obligations and covenants hereunder or enjoin any acts or things that may be unlawful or in violation of the rights of the Issuer or the Trustee hereunder;
- (ii) have access to and inspect, examine and make copies of all of the books and records of the Borrower pertaining to the Project;
- (iii) require the Borrower to pay to the Issuer an amount equal to the rent or other amounts received by the Borrower for any units in the Project which were in violation of this Regulatory Agreement during the period such violation continued (which payment shall not reduce the amount due under the Loan);

(iv) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Borrower hereunder; and

(v) subject to the provisions of the Financing Agreement, declare a default thereunder and proceed with any remedies provided therein.

The Borrower hereby agrees that specific enforcement of the Borrower's agreements contained herein is the only means by which the Issuer may fully obtain the benefits of such agreements made by the Borrower herein, and the Borrower therefore agrees to the imposition of the remedy of specific performance against it in the case of any Event of Default by the Borrower hereunder. In addition, during the Qualified Project Period, the Borrower hereby grants to the Issuer the option, upon the expiration of 60 days after the giving of the notice to the Borrower referred to in the first paragraph of this Section 17 of the Borrower's default under this Regulatory Agreement, to lease up to 20% of the units in the Project for the purpose of subleasing such units to Very Low Income Tenants, but only to the extent necessary to comply with the provisions of Sections 3, 4, 6 and 7. The option granted in the preceding sentence shall be effective only if the Borrower has not instituted corrective action within such 60-day period. Such option shall be exercisable first with respect to units which are vacant at the time of exercise of this option and shall be exercised with respect to occupied units only to the extent that subleasing of additional units is necessary in order to bring the Project into compliance with the provisions of Sections 3, 4, 6 and 7, and any eviction carried out in connection with the exercise of such option shall be carried out in compliance with applicable laws. The option and any leases to the Issuer under this provision shall terminate with respect to each default upon the achievement, by the Borrower or the Issuer, of compliance with the requirements of Sections 3, 4, 6 and 7, and any subleases entered into pursuant to the Issuer's option shall be deemed to be leases from the Borrower. The Issuer shall make diligent efforts to rent Very Low Income Units to Very Low Income Tenants for monthly rental amounts equivalent to those collected from tenants of similar units in the Project, or such lesser maximum amounts as may be permitted by Section 6(b) hereof, but shall not be required to obtain such rental amounts. The Issuer shall seek to rent such units for the highest possible rents that may be charged, consistent with the rent and occupancy restrictions of this Regulatory Agreement. Tenant selection shall be performed utilizing the Borrower's reasonable management and selection policies. The Issuer subleases to Very Low Income Tenants pursuant to this paragraph shall not exceed six months in term and shall expressly permit the Borrower to increase the rents to the maximum amounts as may be permitted by Section 6(b) hereof for the respective households at the time the Borrower assumes the Issuer's position hereunder. Any rental paid under any such sublease shall be paid to the Borrower after the Issuer has been reimbursed for any expenses incurred in connection with such sublease. All rents received by the Issuer from such subleases, less the Issuer's expenses incurred in connection with such subleases, shall be placed into an escrow reasonably approved by the Borrower. All funds in such escrow shall be continuously pledged by the Issuer for the benefit of the Borrower. The Issuer agrees to allow the Borrower access to the Issuer's books and records relating to the collection and disbursement of rents received pursuant to such subleases.

The Trustee shall have the right, in accordance with this Section and the provisions of the Indenture, without the consent or approval of the Issuer, to exercise any or all of the rights or remedies of the Issuer hereunder; provided that prior to taking any such action the Trustee shall give the Issuer written notice of its intended action. After the Indenture has been discharged, the Issuer may act on its own behalf to declare an "Event of Default" to have occurred and to take

any one or more of the steps specified hereinabove to the same extent and with the same effect as if taken by the Trustee.

All reasonable fees, costs and expenses of the Trustee and the Issuer incurred in taking any action pursuant to this Section shall be the sole responsibility of the Borrower.

No breach or default under this Regulatory Agreement shall defeat or render invalid any deed of trust, mortgage or like encumbrance upon the Project or any portion thereof given in good faith and for value.

The Trustee shall not be deemed to have knowledge of any default hereunder unless a responsible officer of the Trustee shall have been specifically notified in writing of such default by the Issuer, the Program Monitor or by the owners of at least 25% of the aggregate principal amount of Bonds outstanding.

Notwithstanding anything to the contrary contained herein, Trustee and the Issuer hereby agree that any cure of any default made or tendered by one or more of Borrower's limited partners shall be deemed to be a cure by Borrower and shall be accepted or rejected on the same basis as if made or tendered by Borrower.

Section 18. The Trustee. The Trustee shall act as specifically provided herein and in the Indenture and may exercise such additional powers as are reasonably incidental hereto and thereto. The Trustee shall have no duty to act with respect to enforcement of the Borrower's performance hereunder as described in Section 17 unless it shall have actual knowledge of any such default as provided in Section 17. The Trustee may act as the agent of and on behalf of the Issuer, and any act required to be performed by the Issuer as herein provided shall be deemed taken if such act is performed by the Trustee. In connection with any such performance, the Trustee is acting solely as Trustee under the Indenture and not in its individual capacity, and, except as expressly provided herein, all provisions of the Indenture relating to the rights, privileges, powers and protections of the Trustee, including without limitation those set forth in Section 10 thereof, shall apply with equal force and effect to all actions taken (or omitted to be taken) by the Trustee in connection with this Regulatory Agreement. Neither the Trustee nor any of its officers, directors or employees shall be liable for any action taken or omitted to be taken by it hereunder or in connection herewith except for its or their own negligence or willful misconduct.

The Issuer shall be (or shall cause the Program Monitor to be) responsible for the monitoring of the Borrower's compliance with the terms of this Regulatory Agreement. The Trustee shall not be responsible for such monitoring.

After the date on which no Bonds remain Outstanding, as provided in the Indenture, the Trustee shall no longer have any rights, duties or responsibilities under this Regulatory Agreement and all references to the Trustee in this Regulatory Agreement shall be deemed references to the Issuer.

Section 19. Recording and Filing. (a) The Borrower shall cause this Regulatory Agreement and all amendments and supplements hereto and thereto, to be recorded and filed in the real property records of the County of Los Angeles and in such other places as the Issuer or the Trustee may reasonably request. The Borrower shall pay all fees and charges incurred in connection with any such recording.

(b) The Borrower and the Issuer will file of record such other documents and take such other steps as are reasonably necessary, in the opinion of Bond Counsel, in order to

insure that the requirements and restrictions of this Regulatory Agreement will be binding upon all owners of the Project.

- (c) The Borrower hereby covenants to include or reference the requirements and restrictions contained in this Regulatory Agreement in any documents, executed and delivered in connection with a voluntary transfer of any interest in the Project to another person to the end that such transferee has notice of, and is bound by, such restrictions and to obtain the agreement from any transferee to abide by all requirements and restrictions of this Regulatory Agreement.

Section 20. Payment of Fees. Notwithstanding any prepayment of the Loan and notwithstanding a discharge of the Indenture, the Borrower shall continue to pay to the Issuer and Trustee all fees, losses and expenses required under the Financing Agreement as provided therein.

Section 21. Governing Law. This Regulatory Agreement shall be governed by the laws of the State of California.

Section 22. Amendments; Waivers. (a) Except as provided in Section 8(a) hereof, this Regulatory Agreement may be amended only by a written instrument executed by the parties hereto or their successors in title, and duly recorded in the real property records of the County of Los Angeles, California, and only upon receipt by the Issuer of an opinion from Bond Counsel that such amendment will not adversely affect the Tax-Exempt status of interest on the Bonds and is not contrary to the provisions of the Act.

(b) Anything to the contrary contained herein notwithstanding, the Issuer, the Trustee and the Borrower hereby agree to amend this Regulatory Agreement to the extent required, in the opinion of Bond Counsel, in order that interest on the Bonds remain Tax-Exempt. The parties requesting such amendment shall notify the other parties to this Regulatory Agreement of the proposed amendment, with a copy of such requested amendment to Bond Counsel and a request that such Bond Counsel render to the Issuer an opinion as to the effect of such proposed amendment upon the Tax-Exempt status of interest on the Bonds. This provision shall not be subject to any provision of any other agreement requiring any party hereto to obtain the consent of any other person in order to amend this Regulatory Agreement.

(c) Any waiver of, or consent to, any condition under this Regulatory Agreement must be expressly made in writing.

Section 23. Notices. Any notice required to be given hereunder shall be made in writing and shall be given by personal delivery, overnight delivery, certified or registered mail, postage prepaid, return receipt requested, or by telecopy, in each case at the respective addresses specified in the Indenture, or at such other addresses as may be specified in writing by the parties hereto.

To the Issuer: Los Angeles County Community Development Commission
2 Coral Circle
Monterey Park, California 91755
Attention: Manager, Housing Development and
Preservation

Facsimile: (323) 890-9715
Telephone: (323) 890-7269

To the Borrower: Castaic Senior Communities, L.P.
c/o Community Housing Development Group, Inc.
369 San Miguel Drive, Suite 135
Newport Beach, CA 92660
Attention: Jules Swimmer
Facsimile: (949) 721-9451
Telephone: (949) 721-0122

With a copy to: Pillsbury Winthrop LLP
50 Fremont Street
San Francisco, CA 94105
Attention: Gary P. Downs
Facsimile: (415) 983-1200
Telephone: (415) 983-1835

To the Trustee: U.S. Bank National Association
1420 - 5th Avenue, 7th Floor
Seattle, WA 98101
Attention: Corporate Trust Services - TR

The Issuer, the Program Monitor, the Trustee and the Borrower may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Notice shall be deemed given three Business Days after the date of mailing. The Trustee shall receive a copy of all notices sent to the Issuer.

Section 24. Severability. If any provision of this Regulatory Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions hereof shall not in any way be affected or impaired thereby.

Section 25. Multiple Counterparts. This Regulatory Agreement may be simultaneously executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

Section 26. Limitation on Liability. Notwithstanding the foregoing or any other provision or obligation to the contrary contained in this Regulatory Agreement, (i) the liability of the Borrower under this Regulatory Agreement to any person or entity, including, but not limited to, the Trustee or the Issuer and their successors and assigns, is limited to the Borrower's interest in the Project, the Revenues, including the amounts held in the funds and accounts created under the Indenture, or any rights of the Borrower under any guarantees relating to the Project, and such persons and entities shall look exclusively thereto, or to such other security as may from time to time be given for the payment of obligations arising out of this Regulatory Agreement or any other agreement securing the obligations of the Borrower under this Regulatory Agreement; and (ii) from and after the date of this Regulatory Agreement, no deficiency or other personal judgment, nor any order or decree of specific performance (other than pertaining to this Regulatory Agreement, any agreement pertaining

to any Project or any other agreement securing the Borrower's obligations under this Regulatory Agreement), shall be rendered against the Borrower, the assets of the Borrower (other than the Borrower's interest in the Project, this Regulatory Agreement, amounts held in the funds and accounts created under the Indenture, any rights of the Borrower under the Indenture or any other documents relating to the Bonds or any rights of the Borrower under any guarantees relating to the Project), its partners, members, successors, transferees or assigns and each their respective officers, directors, employees, partners, agents, heirs and personal representatives, as the case may be, in any action or proceeding arising out of this Regulatory Agreement and the Indenture or any agreement securing the obligations of the Borrower under this Regulatory Agreement, or any judgment, order or decree rendered pursuant to any such action or proceeding.

Section 27. Third-Party Beneficiary. CDLAC is intended to be and shall be a third-party beneficiary of this Regulatory Agreement. CDLAC shall have the right (but not the obligation) to enforce the CDLAC Conditions and to pursue an action for specific performance or other available remedy at law or in equity in accordance with Section 17 hereof, provided that any such action or remedy shall not materially adversely affect the interests and rights of the Bondholders.

Section 28. Fannie Mae Rider. During any period when the Credit Facility is effective with respect to the Bonds and Fannie Mae is not in default of its payment obligations with respect thereto, the provisions of Exhibit F hereof shall apply and, during such period, the terms, provisions and conditions of this Regulatory Agreement shall be subject and subordinate in all respects to the terms, conditions and provisions of Exhibit F.

IN WITNESS WHEREOF, the Issuer, the Trustee and the Borrower have executed this Regulatory Agreement by duly authorized representatives, all as of the date first above written.

THE HOUSING AUTHORITY OF THE COUNTY
OF LOS ANGELES

By: _____
Executive Director of the
Community Development Commission of the
County of Los Angeles

Approved as to form:

LLOYD W. PELLMAN,
County Counsel

By: _____
Deputy

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By: _____
Authorized Officer

CASTAIC SENIOR COMMUNITIES, L.P.,
a California limited partnership

By: SANTA CLARITA VALLEY
COMMITTEE ON AGING
CORPORATION, a California nonprofit
public benefit corporation, its Managing
General Partner

By: _____
Donald L. Kimball
its Vice President and
Executive Board Member

By: _____
Brad Berens
its Executive Director

By: CASTAIC SENIOR COMMUNITIES
LLC, a California limited liability
company, its Co-General Partner

By: COMMUNITY HOUSING
DEVELOPMENT GROUP, INC,
a California corporation, its
Member

By: _____
Jules Swimmer
its President

[Attach Notary Acknowledgements]

EXHIBIT A

DESCRIPTION OF REAL PROPERTY
RELATING TO THE PROJECT

EXHIBIT B

[FORM OF INCOME CERTIFICATION]

VERIFICATION OF INCOME

RE: [Name of Project]
[Address of Project]

Apartment Number: _____ Initial _____ Occupancy _____ Date:
_____.

I/We, the undersigned, being first duly sworn, state that I/we have read and answered fully, and truthfully each of the following questions for all persons who are to occupy the unit in the above apartment development for which application is made, all of whom are listed below:

<u>1.</u> <u>Name</u> _____ <u>of</u> <u>Members</u> <u>of the Household</u>	<u>2.</u> <u>Relationship</u> <u>to</u> _____ <u>of</u> <u>Head</u> _____ <u>of</u> <u>Household</u>	<u>3.</u> <u>Age</u>	<u>4.</u> <u>Social</u> <u>Security</u> <u>Number</u>	<u>5.</u> <u>Place</u> _____ <u>of</u> <u>Employment</u>
	<u>Head of Household</u>			
	<u>Spouse</u>			

6. The anticipated income of all the above persons during the 12-month period beginning this date, including income described in (a) below, but excluding all income described in (b) below, is \$ _____.

(a) The amount set forth above includes all of the following income (unless such income is described in (b) below):

(i) all wages and salaries, over-time pay, commissions, fees, tips and bonuses before payroll deductions;

(ii) net income from the operation of a business or profession or from the rental of real or personal property (without deducting expenditures for business expansion or amortization of capital indebtedness or any allowance for depreciation of capital assets);

(iii) interest and dividends (include all income from assets as set forth in item 7(b) below);

(iv) the full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;

(v) payments in lieu of earnings, such as unemployment and disability compensation, workers' compensation and severance pay;

(vi) the maximum amount of public assistance available to the above persons;

(vii) periodic and determinable allowances, such as alimony and child support payments and regular contributions and gifts received from persons not residing in the dwelling;

(viii) all regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is the head of the household or spouse; and

(ix) any earned income tax credit to the extent it exceeds income tax liability.

(b) The following income is excluded from the amount set forth above:

(i) casual, sporadic or irregular gifts;

(ii) amounts which are specifically for or in reimbursement of medical expenses;

(iii) lump sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses;

(iv) amounts of educational scholarships paid directly to a student or an educational institution, and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books and equipment, but in either case only to the extent used for such purposes;

(v) hazardous duty to a member of the household in the armed forces who is away from home and exposed to hostile fire;

(vi) relocation payments under Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970;

(vii) income from employment of children (including foster children) under the age of 18 years;

(viii) foster child care payments;

(ix) the value of coupon allotments under the Food Stamp Act of 1977;

(x) payments to volunteers under the Domestic Volunteer Service Act of 1973;

(xi) payments received under the Alaska Native Claims Settlement Act;

(xii) income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes;

(xiii) payments on allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program;

(xiv) payments received from the Job Partnership Training Act;

(xv) income derived from the disposition of funds of the Grand River Band of Ottawa Indians; and

(xvi) the first \$2000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the Court of Claims or from funds held in trust for an Indian tribe by the Secretary of Interior.

7. If any of the persons described in column 1 above (or any person whose income or contributions were included in item 6) has any savings, stocks, bonds, equity in real property or other form of capital investment (excluding interests in Indian trust lands), provide:

(a) the total value of all such assets owned by all such persons:
\$ _____, and

(b) the amount of income expected to be derived from such assets in
the 12-month period commencing this date: \$ _____.

8. (a) Will all of the persons listed in column 1 above be or have
they been full-time students during five calendar months of this calendar year at an
educational institution (other than a correspondence school) with regular faculty and
students?

Yes No

(b) (Complete only if the answer to Question 8(a) is "Yes"). Is any
such person (other than nonresident aliens) married and eligible to file a joint federal
income tax return?

Yes No

We acknowledge that all of the foregoing information is relevant to the
status under federal income tax law of the interest on bonds issued to finance the
acquisition and rehabilitation of the apartment building for which application is being
made. We consent to the disclosure of such information to the issuer of such bonds,
the holders of such bonds, any agent acting on their behalf and any authorized agent of
the Treasury Department or Internal Revenue Service.

We declare under penalty of perjury that the foregoing is true and correct.

Date: _____

Head of Household

Spouse

FOR COMPLETION BY PROJECT BORROWER ONLY:

I. Calculation of eligible income:

_____ (A) Enter amount entered for entire household from 6 above:
\$ _____

_____ (B) If the amount entered in 7(a) above is greater than \$5,000, enter:

_____ (i) the product of the amount entered in 7(a) above
multiplied by the current passbook savings rate
as determined by HUD: \$ _____

_____ (ii) the amount entered in 7(b) above:
\$ _____

_____ (iii) line (i) minus line (ii) (if less than \$0, enter \$0):
\$ _____

_____ (C) TOTAL ELIGIBLE INCOME: \$ _____
(Line I(A) plus line I(B)(iii))

II. Qualification as individuals or a family of Very Low Income:

_____ (A) Is the amount entered in line I(C) less than 50% of median gross income
for the Area?

_____ Yes _____ No

_____ (B) (i) If line II(A) is "No," then the household does not qualify as
individuals or a family of Very Low Income; go to item III.

_____ (ii) If line II(A) above is "Yes" and 8(a) above is "No," then the
household qualifies as individuals or a family of Very Low Income; go to item III.

_____ (iii) If line II(A) above is "Yes" and 8(b) above is "Yes," then the
household qualifies as individuals or a family of Very Low Income; go to item III.

_____ (iv) If neither (ii) nor (iii) is applicable, then the household does not
qualify as individuals or a family of Very Low Income.

III. (Check one)

The household does not qualify as individuals or a family of Very Low Income.
_____.

The household qualifies as individuals or a family of Very Low Income.
_____.

IV. Number of apartment unit assigned: _____
(enter here and on page one)

Borrower

NOTE TO PROJECT BORROWER: A vacant unit previously occupied by individuals or a family of Very Low Income, may be treated as occupied by individuals or a family of Very Low Income until reoccupied, other than for a period of 31 consecutive days or less, at which time the character of the unit shall be redetermined.

OCCUPANCY CERTIFICATE

(To be filed with the Program Monitor along with a Verification of Income
upon the rental of a unit in the Project.)

Project: CASTAIC SENIOR APARTMENTS

The tenant identified in the attached Verification of Income has entered into a
lease with respect to a unit in the above-described Project.

Such tenant is / is not (*circle one*) a Very Low Income Tenant.

The rental of a unit to such tenant will not result in a violation of any of the
requirements of the Indenture or the Regulatory Agreement to which the Borrower is a
party.

Witness

Borrower

Date:

Date:

EXHIBIT C

[FORM OF CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE]

CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

Witnesseth that on this _____ day of _____, _____ the undersigned, having borrowed certain funds from the Housing Authority of the County of Los Angeles (the "Issuer") for the purpose of financing a multifamily rental housing development (the "Project"), does hereby certify that:

1. During the preceding calendar quarter (i) such Project was continually in compliance with the Regulatory Agreement executed in connection with such loan from the Issuer, (ii) _____ % of the units in the Project were occupied by Very Low Income Tenants (minimum of 20% at Affordable Rents).

Set forth below are the names of Very Low Income Tenants who commenced or terminated occupancy during the preceding month.

<u>Commenced Occupancy</u>	<u>Terminated Occupancy</u>
<u>1.</u>	<u>1.</u>
<u>2.</u>	<u>2.</u>
<u>3.</u>	<u>3.</u>

_____ The units occupied by Very Low Income Tenants are of similar size and quality to other units and are dispersed throughout the Project. Attached is a separate sheet listing the number of each unit and indicating which units are occupied by Very Low Income Tenants, the size, the number of bedrooms of such units and the number of Very Low Income Tenants who commenced occupancy of units during the preceding month.

_____ 2. *Select appropriate certification:* [No unremedied default has occurred under this Regulatory Agreement, the Financing Agreement or the [Security Instrument.]] [A default has occurred. The nature of the default and the measures being taken to remedy such default are as follows: _____.]

_____ 3. The representations set forth herein are true and correct to the best of the undersigned's knowledge and belief.

Date: _____

_____ Borrower

This image shows a blank sheet of white paper with horizontal blue ruling lines. On the left side, there are short vertical blue lines that serve as margins, creating a series of narrow columns. The paper is otherwise empty of any text or markings.

Percentage of Very Low Income Units:

Number of Very Low Income Tenants commencing occupancy this month:

EXHIBIT D

[Form of]

STATISTICAL REPORT TO ISSUER

Reporting Period: _____, _____. Date: _____

As of the date hereof:

_____. 1. Total units: _____; units occupied by Very Low Income Tenants: _____; _____; vacant units most recently occupied by Very Low Income Tenants: _____; other vacant units: _____.

_____. 2. Total units occupied by households with children, to the extent such information has been provided by tenants: _____; Very Low Income Units so occupied: _____.

_____. 3. To the extent such information has been provided by tenants, total units occupied by elderly households with a member of age 62 or over: _____; Very Low Income Units so occupied: _____.

_____. 4. The number of Very Low Income Tenants who terminated their rental agreements during the previous twelve (12) month period is _____.

_____. 5. The number of units rented to new Very Low Income Tenants during the last twelve (12) month period is _____.

_____. 6. To the extent such information has been provided by tenants, the family names of each household currently occupying a Very Low Income Unit are listed on the schedule attached hereto.

7. The number of Very Low Income Units of various sizes is:

studio:
one-bedroom:
two-bedroom:
three-bedroom:

CASTAIC SENIOR COMMUNITIES, L.P.,
A CALIFORNIA LIMITED PARTNERSHIP

By _____

Borrower Representative

EXHIBIT E

CERTIFICATE OF CDLAC PROGRAM COMPLIANCE

Witnesseth that on this _____ day of _____, the undersigned, _____, having borrowed certain funds from The Housing Authority of the County of Los Angeles (the "Issuer") for the purpose of financing a multifamily rental housing development (the "Project") located in the County Los Angeles, California, does hereby certify that:

1. [The Borrower is in compliance with the CDLAC Conditions (as defined in the Regulatory Agreement relating to the Project).] [The Borrower is not in compliance with Condition No. _____ of the CDLAC Conditions. The following measures are being taken to remedy such noncompliance _____.]

2. The representations set forth herein are true and correct to the best of the undersigned's knowledge and belief.

Date: CASTAIC SENIOR COMMUNITIES,
L.P.,
A CALIFORNIA LIMITED PARTNERSHIP

By _____

Borrower Representative

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

Orrick, Herrington & Sutcliffe LLP
400 Sansome Street
San Francisco, CA 94111
Attention: Stephen A. Spitz, Esq.

REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS

By and Among

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES,

U.S. BANK NATIONAL ASSOCIATION,
as Trustee,

AND

CASTAIC SENIOR COMMUNITIES, L.P.,
A CALIFORNIA LIMITED PARTNERSHIP

Dated as of June 1, 2003

Relating to:

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES
VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS
(CASTAIC SENIOR APARTMENTS PROJECT), SERIES 2003C

Section 1.	Definitions and Interpretation	1
Section 2.	Representations, Covenants and Warranties of the Borrower	4
Section 3.	Qualified Residential Rental Project.....	4
Section 4.	Very Low Income Tenants; Reporting Requirements	6
Section 5.	Tax-Exempt Status of Bonds	7
Section 6.	Additional Requirements of the Act	8
Section 7.	Additional Requirements of the Issuer	9
Section 8.	Modification of Covenants	10
Section 9.	Indemnification; Other Payments	11
Section 10.	Consideration	11
Section 11.	Reliance.....	11
Section 12.	Sale or Transfer of the Project	12
Section 13.	Term.....	13
Section 14.	Covenants to Run With the Land.....	14
Section 15.	Burden and Benefit	14
Section 16.	Uniformity; Common Plan	14
Section 17.	Default; Enforcement.....	14
Section 18.	The Trustee	16
Section 19.	Recording and Filing.....	17
Section 20.	Payment of Fees.....	17
Section 21.	Governing Law	18
Section 22.	Amendments; Waivers.....	18
Section 23.	Notices	18
Section 24.	Severability	19
Section 25.	Multiple Counterparts	19
Section 26.	Limitation on Liability	19
Section 27.	Third-Party Beneficiary	20
Section 28.	Fannie Mae Rider.....	20

EXHIBIT F
FANNIE MAE RIDER
TO REGULATORY AGREEMENT

THIS FANNIE MAE RIDER TO REGULATORY AGREEMENT ("Rider") is attached to and forms a part of the REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS ("Regulatory Agreement") dated as of June 1, 2003, by and among CASTAIC SENIOR COMMUNITIES, L.P., a California Limited Partnership ("Borrower"), its successors and assigns, THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES ("Issuer") and U.S. BANK NATIONAL ASSOCIATION ("Trustee"), as Trustee.

1. **Definitions.** All capitalized terms used in this Rider have the meanings given to those terms in the Regulatory Agreement or the Indenture, as applicable.

2. **Applicability.** This Rider shall amend and supplement the Regulatory Agreement. In the event any provision of this Rider conflicts with the Regulatory Agreement, this Rider shall supersede the conflicting provision of the Regulatory Agreement. This Rider shall apply in spite of the fact that the covenants, reservations and restrictions of the Regulatory Agreement run with the land and may be deemed applicable to any successor in interest to the Borrower.

3. **Obligations not Secured by the Project.** The Regulatory Agreement shall not constitute a mortgage, equitable mortgage, deed of trust, deed to secure debt or other lien or security interest in the Project. None of the obligations of the Borrower or any subsequent owner of the Project under the Regulatory Agreement shall be secured by a lien on, or security interest in, the Project. All such obligations are expressly intended to be and shall remain unsecured obligations. The occurrence of an event of default under the Regulatory Agreement shall not impair, defeat or render invalid the lien of the Security Instrument.

4. **Subordination.** The terms, covenants and restrictions of the Regulatory Agreement, other than those set forth in Sections 3, 4, 5, and 6 are and shall at all times remain subject and subordinate, in all respects, to the liens, rights and interests created under the Loan Documents. Upon a conveyance or other transfer of title to the Project by foreclosure, deed in lieu of foreclosure or comparable conversion of the Loan, the Person who acquires title to the Project pursuant to such foreclosure, deed in lieu of foreclosure or comparable conversion of the Loan (unless such Person is the Borrower or a Person related to the Borrower within the meaning of Section 1.103-10(e) of the Regulations, in which event the Regulatory Agreement shall remain in full force and effect in its entirety) shall acquire such title free and clear of the terms, covenants and restrictions of the Regulatory Agreement, other than those set forth in Sections 3, 4, 5, and 6 and, from and after the date on which such Person acquires title to the Project, the terms, covenants and restrictions of the Regulatory Agreement, other than those set

forth in Sections 3, 4, 5, and 6, shall automatically terminate and be of no force and effect; provided that Sections 3, 4, 5, and 6 shall also terminate and be of no force or effect under the circumstances set forth in Section 13 of the Regulatory Agreement.

5. **Obligations Personal.** The Issuer agrees that no owner of the Project (including Fannie Mae) subsequent to the Borrower will be liable for, assume or take title to the Project subject to:

(a) any failure of any prior owner of the Project to perform or observe any representation or warranty, affirmative or negative covenant or other agreement or undertaking under the Regulatory Agreement; and

(b) the payment of any compensation or any accrued unpaid fees, costs, expenses or penalties otherwise owed by any prior owner of the Project under the Regulatory Agreement.

The Borrower and each subsequent owner of the Project shall be responsible under the Regulatory Agreement for its own acts and omissions occurring during the period of its ownership of the Project. All such liability and obligations shall be and remain personal to such person even after such person ceases to be the owner of the Project.

6. **Sale or Transfer.**

(a) **Restrictions Not Applicable to Certain Transfers.** All provisions of the Regulatory Agreement regarding the sale or transfer of the Project or of any interest in the Borrower, including any requirement, limitation or condition precedent for any of (i) the consent of the Issuer or the Trustee to such transfer, (ii) an agreement by any transferee to abide by the requirements and restrictions of the Regulatory Agreement, (iii) transferee criteria or other similar requirements, (iv) an opinion of legal counsel and (v) the payment of any assumption fee, transfer fee, penalty or other charges, shall not apply to any of the following:

(1) any transfer of title to the Project to Fannie Mae or to a third party by foreclosure, deed in lieu of foreclosure or comparable conversion of any lien on the Project;

(2) provided that no Bonds are then outstanding and all Bonds are to be simultaneously fully paid, redeemed or defeased, any subsequent transfer by Fannie Mae (or a third party) following foreclosure, deed in lieu of foreclosure or comparable conversion;

(3) any execution and delivery of a mortgage, deed of trust, deed to secure debt or other lien by the Borrower to secure any additional indebtedness of the Borrower which is originated by a lender for sale to Fannie Mae or guaranteed or otherwise credit enhanced by Fannie Mae; and

(4) provided that no Bonds are then Outstanding or all Bonds are to be simultaneously fully paid, redeemed or defeased, any execution and delivery of a mortgage, deed of trust, deed to secure debt or other lien by the Borrower to secure any indebtedness incurred by the Borrower which effectively refinances the Loan.

(b) **Fannie Mae Rights to Consent Not Impaired.** Nothing contained in the Regulatory Agreement shall affect any provision of the Security Instrument or any of the other Credit Enhancement Documents or Loan Documents which requires the Borrower to obtain the consent of Fannie Mae as a precondition to sale, transfer or other disposition of, or any direct or indirect interest in, the Project or of any direct or indirect interest in the Borrower, excluding transfers permitted by the Security Instrument.

(c) **Conclusive Evidence.** Any written consent to a sale or transfer obtained from the Issuer shall constitute conclusive evidence that the sale or transfer is not a violation of the transfer provisions of the Regulatory Agreement.

7. **Damage, Destruction or Condemnation of the Project.** In the event that the Project is damaged or destroyed or title to the Project, or any part thereof, is taken through the exercise or the threat of the exercise of the power of eminent domain, the Borrower shall comply with all applicable requirements of the Security Instrument and the other Loan Documents.

8. **Regulatory Agreement Default.** Notwithstanding anything contained in the Regulatory Agreement to the contrary:

(a) The occurrence of an event of default under the Regulatory Agreement shall not impair, defeat or render invalid the lien of the Security Instrument.

(b) The occurrence of an event of default under the Regulatory Agreement shall not be or be deemed to be a default under the Loan Documents, except as may be otherwise specified in the Loan Documents.

(c) Upon any default by the Borrower under the Regulatory Agreement, the Assignment shall govern the remedies and other actions which the Issuer may take on account of such default.

9. **Amendments.** Unless the Assigned Rights (as that term is defined in the Assignment) are transferred to the Trustee pursuant to Section 5.1 of the Assignment, the Issuer shall not consent to any amendment, supplement to, or restatement of the Regulatory Agreement without the prior written consent of Fannie Mae.

10. **Termination.** The Regulatory Agreement may be terminated upon agreement by the Issuer, the Trustee, the Credit Provider and the Borrower upon receipt of an opinion of a nationally recognized bond counsel acceptable to the Trustee that such termination will not adversely affect the exclusion of the interest on the Bonds from gross

income for federal income tax purposes. So long as the Bonds have been redeemed or are redeemed within a reasonable period thereafter, the Regulatory Agreement shall terminate and be of no further force or effect from and after the date of any transfer of title to the Project by foreclosure, deed in lieu of foreclosure or comparable conversion of any lien on the Project; provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained in the Regulatory Agreement shall be reinstated if, at any time subsequent to the termination of such provisions as the result of the foreclosure or the delivery of a deed in lieu of foreclosure or a similar event, the Borrower or any related person (within the meaning of Section 1.103-10(e) of the Regulations) obtains an ownership interest in the Project for federal income tax purposes.

11. **Third-Party Beneficiary.** The parties to the Regulatory Agreement recognize and agree that the terms of the Regulatory Agreement and the enforcement of those terms are essential to the security of Fannie Mae and are entered into for the benefit of various parties, including Fannie Mae. Fannie Mae shall accordingly have contractual rights in the Regulatory Agreement and shall be entitled (but not obligated) to enforce, separately or jointly with the Issuer and/or the Trustee, or to cause the Issuer or the Trustee to enforce, the terms of the Regulatory Agreement. In addition, the Borrower and the Issuer intend that Fannie Mae be a third-party beneficiary of the Regulatory Agreement.

12. **Copies of Notices under the Regulatory Agreement.** Copies of all notices under the Regulatory Agreement shall be sent to the Loan Servicer at the address set forth below or to such other address as the Loan Servicer may from time to time designate:

[ADDRESS]

13. **Notices.** Any notice to be given to Fannie Mae shall be sent to Fannie Mae at the address set forth below or to such other address as Fannie Mae may from time to time designate:

Fannie Mae
3900 Wisconsin Avenue, NW
Drawer AM
Washington, DC 20016-2899
Attention: Director, Multifamily Asset Management
Telephone: (202) 752-2854
Facsimile: (202) 752-3542

RE: \$9,300,000 The Housing Authority of the County of Los Angeles Variable Rate Demand Multifamily Housing Revenue Bonds (Castaic Senior Apartments Project) Series 2003C/GMAC Affordable Housing Division

[For courier use 4000 Wisconsin Avenue, N.W. and delete Drawer AM]

with a copy to:

Fannie Mae
3900 Wisconsin Avenue, NW
Drawer AM
Washington, DC 20016-2899
Attention: Vice President, Multifamily Services
Telephone: (202) 752-7869
Facsimile: (202) 752-8369

RE: Castaic Senior Apartments Project

[For courier use 4000 Wisconsin Avenue, N.W. and delete Drawer AM]

BORROWER'S INITIALS:

ISSUER'S INITIALS:

TRUSTEE'S INITIALS:

FINANCING AGREEMENT

among

**THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES,
as Issuer**

and

**U.S. BANK NATIONAL ASSOCIATION,
as Trustee**

and

**CASTAIC SENIOR COMMUNITIES, L.P., A CALIFORNIA LIMITED PARTNERSHIP
as Borrower**

Relating to

\$9,300,000

**The Housing Authority of the County of Los Angeles Variable Rate Demand Multifamily
Housing Revenue Bonds (Castaic Senior Apartments Project), Series 2003C**

Dated as of June 1, 2003

FINANCING AGREEMENT

THIS FINANCING AGREEMENT (“Agreement”) dated as of June 1, 2003, is among **THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES**, a public body corporate and politic of the State of California (“Issuer”), **CASTAIC SENIOR COMMUNITIES, L.P.**, a California limited partnership (“Borrower”), and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association (“Trustee”), not in its individual or corporate capacity, but solely as Trustee under the Indenture.

INCORPORATION OF RECITALS, DEFINITIONS AND RULES OF CONSTRUCTION

Incorporation of Recitals. The Recitals to the Indenture are incorporated into and made a part of this Agreement.

Definitions. All capitalized terms used in this Agreement have the meanings given to those terms in the Indenture or elsewhere in this Agreement unless the context or use clearly indicates a different meaning.

Rules of Construction. The rules of construction set forth in Section 1.2 of the Indenture shall apply to this Agreement in their entirety, except that in applying such rules, the term “Agreement” shall be substituted for the term “Indenture”.

Interpretation. The parties to this Financing Agreement acknowledge that each party and the Credit Provider and their respective counsel have participated in the drafting, review and revision of this Financing Agreement. Accordingly, the parties agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Financing Agreement or any amendment, modification, supplement or restatement of any of the foregoing or of any exhibit to this Financing Agreement.

THE LOAN

Amount and Source of Loan. The Issuer has authorized the issuance of the Bonds in the aggregate principal amount of \$9,300,000. The Issuer agrees to make the Loan in the amount of \$9,300,000 to the Borrower with the Net Bond Proceeds. Upon the issuance and delivery of the Bonds, the Issuer will deliver the Net Bond Proceeds to the Trustee. The

Loan shall be deemed made in full upon deposit of the Net Bond Proceeds into the Loan Fund. The Borrower accepts the Loan from the Issuer upon the terms and conditions set forth in this Agreement and the Loan Documents, subject to the Indenture, the Regulatory Agreement and the Assignment. Disbursements will be made from the Loan Fund as provided in the Indenture. The Borrower agrees to apply the proceeds of the Loan to pay the costs of the construction, equipping and permanent financing for the multifamily housing facility known as Castaic Senior Apartments.

Borrower hereby acknowledges that the Issuer shall have no obligation to issue the bonds or make the Loan unless all conditions to the funding of the Loan set forth herein and in the Indenture have been satisfied.

Note and Security Instrument. The Loan shall be evidenced by, payable in accordance with, and bear interest at the rates and on the terms provided in, the Note and secured by the Security Instrument.

Costs of Issuance Deposit. Prior to the issuance of the Bonds, the Borrower shall pay to the Trustee the Costs of Issuance Deposit for deposit into the Costs of Issuance Fund. The Issuer shall have no obligation to issue the Bonds and to fund the Loan unless and until the Borrower delivers the Costs of Issuance Deposit.

Credit Facility. The Borrower agrees to cause credit enhancement for the Loan or the Bonds and liquidity support for the Bonds to be in effect in the amounts and during the periods as required by the Indenture. From time to time, the Borrower may arrange for the delivery to the Trustee of one or more Alternate Credit Facilities meeting the requirements of the Indenture in substitution for the Credit Facility then in effect.

Payment of Fees, Costs and Expenses. The Borrower shall pay when due, without duplication, the fees, expenses and other sums specified in this Section.

Fees Due at Closing. The Borrower shall pay or provide for the payment of all Costs of Issuance and the Trustee's acceptance fee, if any, on the Closing Date.

Third Party Fees. The Borrower shall pay the Third Party Fees on a monthly basis. Each monthly payment shall be in an amount equal

to the aggregate of all of the Third Party Fees prorated monthly so that the Trustee shall have the full amount of each fee available in the Fees Account to pay each Third Party Fee as it falls due without regard to whether any Third Party Fee is payable monthly, annually or on any other periodic basis. The Third Party Fees are as follows:

The Issuer's annual fee (the "Issuer's Fee") in the amount of \$11,625, payable in advance on the Closing Date and on each anniversary of the Closing Date.

The Trustee's Annual Fee.

The Tender Agent's Annual Fee.

The Remarketing Agent's Fee.

The Rebate Analyst's Fee.

Fees and Expenses.

Rating Agency. The annual rating maintenance fee of each Rating Agency.

Extraordinary Items. The Extraordinary Items.

Certain Advances, Expenses and other Items. All advances, out-of-pocket expenses, costs and other charges of each of the Issuer, the Rebate Analyst, the Remarketing Agent, the Tender Agent and the Trustee incurred from time to time, but only to the extent that any such amounts are payable by the Borrower pursuant to an agreement between the Borrower and such Person regarding its services in connection with the Bonds or the Loan.

Bond Costs. All costs of registering, printing, reprinting, preparing and delivering any replacement bonds required under the Indenture and in connection with the registration, printing, reprinting or transfer of Bonds.

Adjustment or Conversion of Interest Rate; Tender, Purchase, Remarketing or Reoffering of Bonds. All fees, costs and expenses of any change in Mode or of any tender, purchase, remarketing or reoffering of any Bonds. The fees, costs and expenses of any tender, purchase, remarketing or reoffering of Bonds must be paid by the Borrower in advance in accordance with the Remarketing Agreement or other agreement relating to the remarketing or reoffering of the Bonds.

Conversion. All fees, costs and expenses in connection with Conversion.

The Borrower agrees to timely honor any demand for payment by the Trustee pursuant to Section 5.7(b) of the Indenture on account of any insufficiency in the Fees Account. Any amounts payable to the Issuer but not paid in accordance with this Section 2.5 shall bear interest at a rate of 1% per month until paid.

Liability for Fees, Costs and Expenses. Neither the Issuer nor the Trustee shall have any obligation to pay any of the fees, costs or expenses referred to in Section 2.5.

Borrower's Obligations Upon Tender of Bonds. If any Tendered Bond is not remarketed on any Tender Date and a sufficient amount is not available in the Bond Purchase Fund for the purpose of paying the purchase price of such Bond, the Borrower will cause to be paid to the Trustee pursuant to the Credit Facility or otherwise pay by the applicable times provided in the Indenture, an amount equal to the principal amount of all Bonds tendered and not remarketed, together with interest accrued to the Tender Date.

Redemption Premium. The Borrower shall pay all redemption premium, if any, payable with respect to each redemption of any of the Bonds. The Borrower shall make each such payment, or cause such payment to be made, in Available Moneys.

Obligation of the Borrower to Pay Deficiencies. The Borrower shall pay any deficiency resulting from any loss due to a default under any Permitted Investment in any Fund or Account or a change in value of any Permitted Investment.

Borrower's Approval of Transaction Documents. The Borrower acknowledges that it participated in the drafting and negotiation of the Transaction Documents and approves and agrees to each of the provisions of the Transaction Documents. The Borrower agrees that it is bound by, shall adhere to, and shall have the rights set forth by, the Indenture.

NATURE OF BORROWER'S OBLIGATIONS; SECURITY FOR OBLIGATIONS

Obligations of the Borrower Unconditional. To the fullest extent permitted by law, the obligations of the Borrower to make all payments and perform its other obligations under this Agreement shall be absolute, unconditional and irrevocable, shall be paid and performed strictly in accordance with the

applicable Transaction Documents under all circumstances, including, without limitation, the following circumstances: (i) any invalidity or unenforceability of the Credit Facility or any of the other Transaction Documents; (ii) any amendment or waiver of, or any consent to departure from, the terms of the Credit Facility or any of the other Transaction Documents, any extension of time or other modification of the terms and conditions for any act to be performed in connection with the Credit Facility or any of the other Transaction Documents; (iii) the existence of any claim, set-off, defense or other right which the Borrower may have at any time against the Issuer, the Trustee, the Tender Agent, the Credit Provider, the Loan Servicer, the Remarketing Agent or any other Person, whether in connection with any of the Transaction Documents, the Mortgaged Property, or any unrelated transaction; (iv) the surrender or impairment of any security for the performance or observance of any of the agreements or terms of any of the Transaction Documents; (v) defect in title to the Mortgaged Property, any act or circumstance that may constitute failure of consideration, destruction of, damage to or condemnation of the Mortgaged Property, commercial frustration of purpose, or any change in the tax or other laws of the United States of America or of the State or any political subdivision of either, (vi) the breach by the Issuer, the Trustee, the Tender Agent, the Remarketing Agent, the Credit Provider, the Loan Servicer or any other Person of any of its obligations under any Transaction Document; or (vii) any other circumstance, happening or omission whatsoever, whether or not similar to any of the foregoing.

Nonrecourse Liability. Except as otherwise provided in the Loan Documents and the Credit Facility Documents, in any action or proceeding brought with respect to the Loan or the Bonds, no deficiency or other money judgment shall be enforced against the Borrower or any partner of the Borrower or any successor or assign of the Borrower, and any judgment obtained shall be enforced only against the Mortgaged Property and other property of the Borrower encumbered by the Loan Documents and not against the Borrower or any partner of the Borrower or any successor or assign of the Borrower. Notwithstanding the foregoing, the obligations of the Borrower to pay amounts to the Issuer, the Trustee or the Tender Agent and to pay any and all rebate amounts that may be or become owing with respect to the Bonds (except with respect to any payments payable

to Fannie Mae or the Loan Servicer), shall be (i) general obligations of the Borrower with recourse to the Borrower personally (provided that there shall be no recourse for such amounts against Santa Clarita Valley Committee on Aging Corporation, the managing general partner for the Borrower), and (ii) subordinate and junior in priority, right of payment and all other respects to any and all obligations of the Borrower under the Loan Documents and to the Credit Provider under or in respect of the Credit Facility Documents.

Obligations Unsecured. All obligations of the Borrower under this Agreement and under the Regulatory Agreement, including the obligations of the Borrower with respect to the Reserved Rights, shall not be secured by the Security Instrument and shall not constitute a lien on the Mortgaged Property in any manner.

Certain Obligations Personal to the Borrower. No subsequent owner of the Mortgaged Property (including the Credit Provider as a result of a foreclosure, a deed in lieu of foreclosure or comparable conversion of the Loan) shall be liable for any breach or default of any obligation of any prior owner under the Regulatory Agreement or this Agreement, including any payment or indemnification obligation. The owner of the Mortgaged Property at the time any default or breach occurs shall remain liable for any and all damages occasioned by such default or breach even after such Person ceases to be the owner. Upon seeking to collect such damages, neither the Issuer nor the Trustee shall have recourse against or the right to levy against or otherwise collect on any judgment from the Mortgaged Property.

REPRESENTATIONS AND WARRANTIES

Representations and Warranties of the Issuer. The Issuer represents and warrants that:

The Issuer is a corporate body public and politic duly organized and validly existing under the constitution and laws of the State.

The Issuer has complied with the Act and the constitution and laws of the State that are prerequisites to the closing of the transactions provided for in the Bond Documents.

The issuance of the Bonds to provide funding for the Loan is intended to serve the public interest and will further the purposes of the Act including the provision of decent, safe and sanitary rental housing units for persons and families of low or moderate income; to accomplish the foregoing, the Issuer intends to issue the Bonds on the terms set forth in the Indenture and to use the proceeds derived from the sale of the Bonds as specified in the Indenture and this Agreement.

The Bonds have been duly executed and delivered by the Issuer and, upon authorization by the Trustee, will constitute legal, valid and binding special limited obligations of the Issuer, enforceable against the Issuer in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights of creditors generally and general principles of equity.

The Issuer has the full legal right, power and authority to execute and deliver the Issuer Documents, and to carry out its obligations under each of those documents. The issuance of the Bonds and the execution, delivery and performance of the Issuer Documents have been duly authorized by the Issuer. Each of the Issuer Documents has been duly executed and delivered by the Issuer, and, upon execution and delivery by the other party or parties to the Issuer Documents, is a legal, valid and binding, special, limited obligation of the Issuer, enforceable against the Issuer in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights of creditors generally and general principles of equity.

Neither the execution and delivery of, nor the fulfillment of or compliance with the terms or conditions of, the Issuer Documents violates the constitution or laws of the State or any judgment, order, writ, injunction or decree to which the Issuer is subject, or conflicts in any material respect with, or results in a material breach of, or material default under, any agreement or instrument to which the Issuer is now a party or by which it is bound.

Except as otherwise provided in the Indenture and the Assignment, the Issuer has not created any debt, lien or charge upon the Trust Estate, and has not made any pledge or assignment of or created any encumbrance on the Trust Estate.

The Issuer has complied with all material provisions of the Act applicable to the Bonds and the transactions provided for in the Issuer Documents.

No litigation or administrative action of any nature is pending against the Issuer (i) seeking to restrain or enjoin the issuance of the Bonds or the execution and delivery of the Issuer Documents, (ii) questioning the proceedings or authority relating to the Bonds or any other Issuer Document or (iii) questioning the existence or authority of the Issuer or that of its present or former members or officers and, to the best knowledge of the Issuer, none of the foregoing is threatened.

The Bonds are being issued under the Indenture, and are secured by the Trust Estate. Under the Indenture the Issuer's interest in this Agreement (other than the Reserved Rights) and the revenues and receipts to be derived by the Issuer pursuant to this Agreement, are pledged and assigned to the Trustee as security for payment of the principal of and interest and any premium on the Bonds.

Representations and Warranties of the Borrower. Each representation and warranty made by the Borrower in each of the Borrower Documents is incorporated herein by reference, and the Borrower hereby certifies that all such representations and warranties are true and correct. The Borrower further represents and warrants that:

(i) Borrower is and shall at all times hereafter be a limited partnership, duly organized and validly existing under the laws of the State, and is and at all times hereafter shall be qualified and licensed to do business, and is in good standing, in the State and in any other state in which it conducts its business or in which the failure to qualify could have a material adverse effect on the condition, financial or otherwise, business, property or results of operations of the Borrower.

(ii) Each General Partner is and shall at all times hereafter be a corporation or limited liability company, as applicable, duly organized and validly existing under the laws of the State of California, and is and at all times hereafter shall be qualified and licensed to do business, and is in good standing, in the State and in any other state in which it conducts its business or in which the failure to qualify could have a material adverse effect on the condition, financial or otherwise, business, property or results of operations of such General Partner or Borrower.

Borrower has all requisite partnership power to borrow the sums provided for in this Agreement and has all requisite power to execute, deliver, issue and perform its obligations under the Borrower Documents and to consummate the transactions

hereunder and thereunder. Each General Partner has all requisite power to act on its own behalf and as Borrower's general partner in connection with its and Borrower's execution, delivery and performance of its obligations under the Borrower Documents and the consummation of the transactions thereunder.

All partnership actions on the part of Borrower and its partners necessary for the authorization, execution, delivery of and performance under the Borrower Documents have been duly taken and are in full force and effect. All corporate or other entity actions on the part of each General Partner, acting on its own behalf and as Borrower's general partner, necessary for the authorization, execution, delivery or performance under the Borrower Documents have been duly taken and are in full force and effect. In addition, each authorized officer or other signatory executing the Borrower Documents or Loan Documents on behalf of Borrower is or was (as of the date of such execution) duly and properly in office and fully authorized to execute and deliver the same on behalf of each General Partner acting as Borrower's general partner and where so indicated, on its own behalf.

The Borrower Documents have been duly executed and delivered and are the legal, valid and binding obligations of Borrower, enforceable in accordance with their respective terms, except as limited by applicable bankruptcy, reorganization, insolvency or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

The execution by Borrower of the Borrower Documents does not constitute a breach of any provision contained in the partnership agreement creating the Borrower, nor does the execution or performance thereof constitute an event of default under any agreement to which Borrower is a party or by which it is subject, nor do such Borrower Documents violate any order, decree or judgment of any court of public authority.

The execution and delivery of the Borrower Documents, the performance by the Borrower of its obligations thereunder, and the consummation of the transactions contemplated thereby do not and will not violate any law, regulation, rule or ordinance or any order, judgment or decree of any federal, state or local court to which Borrower, or any of its respective properties, is subject, and do not and will not

conflict with or constitute a material breach of, or a material default under any document, instrument or commitment to which the Borrower or by which the Borrower or any of its property is bound.

Borrower is in compliance in all material respects with all applicable laws, rules, regulations and ordinances to which Borrower, or any of its properties is subject.

There are no claims, actions, proceedings or investigations pending against Borrower, or affecting the Mortgaged Property, before any court or public authority. Borrower has no knowledge of any pending, threatened or imminent litigation, governmental investigations or complaints, actions or prosecutions involving Borrower, or any breaches by Borrower, or any other person or entity of any agreement to which Borrower is a party or by which either is bound.

There is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency or public board or body pending against the Borrower or, to the best knowledge of the Borrower, threatened against the Borrower (nor, to the best knowledge of the Borrower, is there any basis therefor) which (i) affects or seeks to prohibit, restrain or enjoin the execution and delivery of the Borrower Documents, (ii) affects or questions the validity or enforceability of the Borrower Documents or (iii) questions the power or authority of the Borrower to carry out the transactions contemplated by, or to perform its obligations contemplated by, or to perform its obligations under the Borrower Documents, or the powers of the Borrower to own, acquire, rehabilitate, equip, develop and or operate the Mortgaged Property or finance or refinance the Mortgaged Property.

The Borrower is not in default beyond applicable cure periods under any document, instrument or commitment to which the Borrower is a party or to which it or any of its property is subject which default would or could affect the ability of the Borrower to carry out its obligations under the Borrower Documents.

Neither the Borrower Documents nor any document, certificate or statement (including but not limited to information and estimates with respect to the Project or the financing or refinancing thereof, as applicable) furnished to the Trustee, the Issuer or Bond Counsel by or on behalf of the Borrower (including information included in the Issuer's application

to the California Debt Limit Allocation Committee for Private Activity Bond Volume Cap for the Bonds) in connection with the Loan or required by the Borrower Documents, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading or incomplete as of the date hereof and as of the Closing Date. It is specifically understood by the Borrower that all such statements, representations and warranties shall be deemed to have been relied upon by the Issuer as an inducement to fund the Loan. To the best knowledge of Borrower, after diligent inquiry and investigation, there is no material fact which Borrower has not disclosed to Issuer and Trustee, in writing which materially and adversely affect the assets, business, prospects, profits or condition (financial or otherwise) of Borrower, the rights of the Issuer and the Trustee or the owners of the Bonds, or the ability of Borrower to perform its obligations under Borrower Documents.

Any certificate signed by a General Partner and delivered pursuant to the Borrower Documents shall be deemed a representation and warranty by the Borrower as to the statements made therein.

COVENANTS OF THE BORROWER

Compliance With Laws. The Borrower will comply with all laws, ordinances, regulations and requirements of any duly constituted public authorities which may be applicable to the Mortgaged Property and all recorded lawful covenants and agreements relating to or affecting the Mortgaged Property, including all laws, ordinances, regulations, requirements and covenants pertaining to health and safety, construction of improvements on the Mortgaged Property, fair housing, zoning and land use, and Leases (as such term is defined in the Security Instrument). The Borrower also will comply with all applicable laws that pertain to the maintenance and disposition of tenant security deposits. The Borrower will at all times maintain records sufficient to demonstrate compliance with the provisions of this Section. The Borrower will take appropriate measures to prevent, and will not engage in or knowingly permit, any illegal activities at the Mortgaged Property that could endanger tenants or visitors, result in damage to the Mortgaged Property, result in forfeiture of the Mortgaged Property, or

otherwise materially impair the lien created by the Security Instrument. The Borrower represents and warrants that no portion of the Mortgaged Property has been or will be purchased with the proceeds of any illegal activity. Nothing contained in this Section is intended to modify or limit any provisions of the Regulatory Agreement or any Loan Document.

Maintenance of Legal Existence. The Borrower will maintain its existence, continue to be duly qualified to do business in the State and will not terminate or dissolve. With the prior written consent of the Issuer, the Borrower may consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it, but subject to the satisfaction of the following conditions: (i) the entity resulting from or surviving such merger or consolidation (if other than the Borrower) ("**Surviving Entity**") is duly organized and existing in good standing and qualified to do business in the State, (ii) if the Borrower does not survive the consolidation or merger, the Surviving Entity expressly assumes in writing all of the Borrower's obligations under this Agreement and the other Borrower Documents and (iii) the Borrower delivers an opinion of Bond Counsel to the effect that such consolidation or merger will not cause interest on the Bonds to be included in gross income for federal income tax purposes.

Access to Mortgaged Property and Records. Subject to the rights of tenants and upon reasonable notice of not less than 24 hours, the Issuer and the Trustee and the respective duly authorized agents of each have the right, during normal business hours, to enter the Mortgaged Property and any location containing records relating to any of the Borrower, the Mortgaged Property, the Loan and the Transaction Documents, to inspect, audit and make copies of the Borrower's records or accounts pertaining to the Borrower, the Mortgaged Property, the Loan, the Transaction Documents, and the Borrower's compliance with the Transaction Documents, and to require the Borrower, at the Borrower's sole expense, to furnish such documents to the Issuer and the Trustee, as the Issuer or the Trustee from time to time deems necessary in order to determine that the Borrower is in compliance with the Transaction Documents and to make copies of any records that the Issuer or the Trustee, or their respective duly authorized agents, may reasonably require. The Borrower will make available to the Issuer and the Trustee such other information

concerning the Borrower, the Mortgaged Property, the Loan and the Transaction Documents as any of them may reasonably request.

Reports and Information. The Borrower will file such certificates and other reports with the Issuer and the Trustee as are required by the Transaction Documents. The Borrower will provide to the Issuer all information necessary to enable the Issuer to complete and file all forms and reports required by the laws of the State and the Code in connection with the Mortgaged Property and the Bonds.

Tax Covenants. The Borrower covenants that it will comply with the requirements and conditions of the Tax Certificate and the Regulatory Agreement. Without limiting the foregoing and notwithstanding anything to the contrary in this Agreement, the Borrower will not take, or permit to be taken on its behalf, any action which would cause interest on the Bonds to be included in gross income for federal income tax purposes and will take such reasonable action as may be necessary to continue such exclusion from gross income, including:

the Borrower will not use the proceeds of the Bonds, or any other funds which may be deemed to be proceeds of the Bonds pursuant to Section 148 of the Code, in the manner which will cause the Bonds to be “arbitrage bonds” within the meaning of such Section, and will comply with the requirements of such Section throughout the term of the Bonds;

the Borrower will prepare and file any statements required to be filed by it in order to maintain such exclusion; and

the Borrower will pay to the United States any amount required to be paid by the Issuer or the Borrower pursuant to Section 148(f) of the Code, at the times, in the amounts and at the places required in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes. The Borrower irrevocably authorizes and directs the Issuer, the Trustee and any other agent designated by the Issuer to make payment of such amounts from funds of the Borrower, if any, held by the Issuer, the Trustee, or any agent of the Issuer or the Trustee. The Borrower specifically acknowledges and agrees to the provisions of Section 5.9 of the Indenture.

The Borrower further covenants and agrees that, pursuant to the requirements of Treasury Regulation Section 1.148-1(b), it (or any related person contemplated by such regulations) will not purchase Bonds in an amount related to the amount of the Loan, other than Pledged Bonds.

In furtherance of the covenants of this Section, the Issuer and the Borrower shall execute, deliver and comply with the provisions of the Tax Certificate, which is by this reference incorporated into this Financing Agreement and made a part hereof.

Notice of Certain Events. The Borrower will advise the Issuer and the Trustee promptly in writing of the occurrence of any default by the Borrower in the performance or observance of any covenant, agreement, representation, warranty or obligation of the Borrower set forth in this Agreement or in any of the other Borrower Documents, or of any Event of Default or Potential Default under this Agreement known to it or of which it has received notice, specifying the nature and period of existence of such event and the actions being taken or proposed to be taken with respect to such default. Such notice shall be given promptly, and in no event less than ten Business Days after the Borrower receives notice or has knowledge of the occurrence of any such event. The Borrower further agrees, that it will give prompt written notice to the Trustee if insurance proceeds or condemnation awards are received with respect to the Mortgaged Property.

Obligation of the Borrower to Construct the Property. The Borrower shall proceed with reasonable dispatch to complete the construction and equipping of the Mortgaged Property. If amounts on deposit in the Loan Fund are not sufficient to pay the costs of completion, the Borrower shall pay such costs or cause the same to be paid from other sources. By reason of any such payment of costs relating to the Mortgaged Property from sources other than the Loan Fund, the Borrower shall not be entitled to any reimbursement from the Issuer, the Trustee, the Credit Provider, the Loan Service or the holders of the Bonds in respect of such payment or to any diminution or abatement in the repayment of the Loan. Neither the Issuer nor the Credit Provider shall be liable to the Borrower, the holders of the Bonds or any other person if for any reason the Mortgaged Property is not completed or if the proceeds of the Loan are insufficient to pay all costs of the Mortgaged Property.

NEITHER THE ISSUER NOR THE TRUSTEE MAKES ANY WARRANTY, EITHER EXPRESS OR IMPLIED, THAT MONEYS, IF ANY, WHICH WILL BE PAID INTO THE LOAN FUND OR OTHERWISE MADE AVAILABLE TO THE BORROWER WILL BE SUFFICIENT TO COMPLETE THE MORTGAGED PROPERTY, AND THE ISSUER AND THE TRUSTEE SHALL NOT BE LIABLE TO THE BORROWER, THE BONDHOLDERS OR ANY OTHER PERSON IF FOR ANY REASON THE MORTGAGED PROPERTY IS NOT COMPLETED.

INDEMNIFICATION

Borrower's Obligations. The Borrower releases the Issuer, the Trustee, the Tender Agent and their respective officers, directors, agents, officials, employees (and, as to the Issuer, members of its governing body) and any person who controls the Issuer, the Trustee or the Tender Agent within the meaning of the Securities Act of 1933, from, and covenants and agrees to indemnify, hold harmless and defend the Issuer, the Trustee, the Tender Agent and their respective officers, directors, employees, agents, members of its governing body, officials and any person who controls such party within the meaning of the Securities Act of 1933 and employees and each of them (each an **"Indemnified Party"**) from and against, any and all losses, claims, damages, liabilities and expenses (including attorneys' fees and expenses), taxes, causes of action, suits and judgments of any nature, joint or several, by or on behalf of any person arising out of:

the approval of financing for the Mortgaged Property or the making of the Loan;

the issuance and sale, resale or remarketing of any Bonds or any certifications or representations made by any person other than the party seeking indemnification in connection therewith, including, but not limited to, any (i) statement or information made by the Borrower with respect to the Borrower or the Mortgaged Property in any offering document or materials regarding the Bonds, the Mortgaged Property or the Borrower or in the Tax Certificate of the Borrower or in any other certificate executed by the Borrower which, at the time made, is misleading, untrue or incorrect in any material respect, (ii) untrue statement or alleged untrue statement of a material fact relating to the Borrower or the Mortgaged Property contained in any offering material relating to the sale of the Bonds, as from time to time amended or supplemented, or arising out of or based upon the omission or alleged omission to state in such offering

material a material fact relating to the Borrower or the Mortgaged Property required to be stated in such offering material or necessary in order to make the statements in such offering material not misleading, (iii) failure to properly register or otherwise qualify the sale of the Bonds or failure to comply with any licensing or other law or regulation which would affect the manner in which or to whom the Bonds could be sold;

the interpretation, performance, enforcement, breach, default or amendment of the Bond Documents, the Loan Documents or any other documents relating to the Mortgaged Property or the Bonds or in connection with any federal or state tax audit, or any questions or other matters arising under such documents;

the Borrower's failure to comply with any requirement of this Agreement or the Regulatory Agreement;

the condition of the Mortgaged Property (environmental or otherwise), including any violation of any law, ordinance, court order or regulation affecting the Mortgaged Property or any part of it;

any damage or injury, actual or claimed, of whatsoever kind, cause or character, to property (including loss of use of property) or persons, occurring or allegedly occurring in, on or about the Mortgaged Property or arising out of any action or inaction of the Borrower or any of its agents, servants, employees or licensees, whether or not related to the Mortgaged Property, or resulting from the acquisition, construction, design, rehabilitation, repair, operation, use or management of all or any part of the Mortgaged Property;

the Trustee's acceptance or administration of the trusts created by, and the exercise of its powers or duties under, the Indenture or under this Agreement, the Regulatory Agreement, the Credit Facility or any other agreements in connection with such agreements to which it is a party; and

to the extent not mentioned in any of the preceding subsections, any cause whatsoever in connection with transactions provided for in this Agreement and the other Transaction Documents or otherwise in connection with the Mortgaged Property, the Bonds or the execution or amendment of any document relating to the Bonds or the Mortgaged Property.

This indemnification shall extend to and include, without limitation, all reasonable costs, counsel fees, expenses and liabilities incurred in connection with any such claim, or proceeding brought with respect to such claim, except (i) in the case of the foregoing indemnification of the Trustee or any of the its Indemnified Parties, to the extent such damages are caused by the negligence or willful misconduct of such Person, and (ii) in the case of the foregoing indemnification of the Issuer or any of its Indemnified Parties, to the extent such damages are caused by the willful misconduct of such Person.

Defense of Claims. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought under Section 6.1, the Borrower, upon written notice from the Indemnified Party, will assume the investigation and defense of the action or proceeding, including the engagement of counsel selected by the Borrower, subject to the approval of the Indemnified Party in such party's sole discretion, and shall assume the payment of all expenses related to the action or proceeding, with full power to litigate, compromise or settle the same in its sole discretion; provided, however, that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to engage separate counsel in any action or proceeding and participate in the investigation and defense of such action or proceeding, and the Borrower shall pay the reasonable fees and expenses of such separate counsel if (i) the Indemnified Party determines that a conflict exists between the interests of the Indemnified Party and the interests of the Borrower or (ii) such separate counsel is engaged with the approval of the Borrower, which approval shall not be unreasonably withheld, conditioned or delayed.

Borrower's Continuing Obligations. Notwithstanding any transfer of the Mortgaged Property to another owner in accordance with the Regulatory Agreement, the Borrower shall remain obligated to indemnify each Indemnified Party pursuant to this Article VI for all matters arising prior to such transfer, and, as a condition to the release of the transferor on and after the transfer date, the transferee must assume the obligations of the Borrower under this Agreement and the other Borrower Documents on and after the transfer date. Each Indemnified Party's rights under this Article VI shall survive the termination of this Agreement, the payment of the Loan and the payment or defeasance of the Bonds.

EVENTS OF DEFAULT AND REMEDIES

Events of Default. The occurrence of any one or more of the following events shall constitute an Event of Default under this Agreement:

The Borrower fails to pay when due any amount payable by the Borrower under this Agreement.

The Borrower fails to observe or perform any covenant or obligation in this Agreement on its part to be observed or performed for a period of 30 days after receipt of written notice from the Trustee specifying such failure and requesting that it be remedied, provided, however, that if the failure cannot be corrected within such period, it shall not constitute an Event of Default if the failure is correctable without material adverse effect on the validity or enforceability of the Bonds or on the exclusion from gross income, for federal income tax purposes, of the interest on the Bonds, and if corrective action is instituted by the Borrower within such period and diligently pursued until the failure is corrected, and provided further that any such failure is cured within 90 days of receipt of notice of such failure.

The Credit Provider provides written notice to the Trustee of an Event of Default under this Agreement by reason of the occurrence of an Event of Default under the Reimbursement Agreement. No Event of Default under the Reimbursement Agreement shall constitute a default under this Agreement unless specifically declared to be so by the Credit Provider. The Credit Provider shall make such declaration by written notice to the Trustee.

Remedies upon an Event of Default. Subject to the Assignment, whenever any Event of Default occurs and is continuing under this Agreement, the Issuer may take one or any combination of the following remedial steps:

by written notice to the Borrower, declare all amounts then due and payable on the Note to be immediately due and payable;

exercise any of the rights and remedies provided in the Loan Documents; and

take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and afterward to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Agreement.

No Levy or Other Execution Against Mortgaged Property. Neither the Issuer nor the Trustee shall have any right to levy, execute or enforce any judgment in respect of the Borrower's obligations under this Agreement, including the Reserved Rights, against the Mortgaged Property or any other property of the Borrower which secures the obligations of the Borrower under the Loan or to the Credit Provider under any of the Credit Facility Documents.

Waiver and Annulment. Unless the Credit Provider otherwise consents in writing, neither the Issuer nor the Trustee may waive or annul any Event of Default under this Agreement unless (i) all amounts which would then be payable under this Agreement by the Borrower if such Event of Default had not occurred and was not continuing are paid by or on behalf of the Borrower, and (ii) the Borrower also performs all other obligations in respect of which it is then in default under this Agreement and pays the reasonable charges and expenses of the Issuer and the Trustee, including reasonable attorneys' fees and expenses paid or incurred in connection with such default. No waiver or annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent on such Event of Default.

No Remedy Exclusive. All rights and remedies provided in this Agreement are cumulative, nonexclusive and in addition to any and all rights and remedies that the Issuer and the Trustee may have or may be given by reason of any law, statute, ordinance or otherwise.

No Waiver. No delay or omission to exercise any right or power accruing upon any Event of Default under this Agreement shall impair any such right or power or shall be construed to be a waiver of such Event of Default, but any such right or power may be exercised from time to time and as often as may be deemed expedient.

No Notices. In order to entitle the Issuer to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be expressly required in this Article or by any Bond Document.

Expenses. In the event the Borrower should default under this Agreement and the Issuer employs attorneys or incurs other expenses for the collection of payments under, or the enforcement of performance or observance of any obligation or agreement

on the part of the Borrower contained in, this Agreement, the Borrower agrees that it will pay, on demand, to the Issuer the reasonable fees of such attorneys and such other expenses so incurred by the Issuer.

MISCELLANEOUS

Notices. All notices, certificates or other communications provided in this Agreement shall be given in writing, and shall be sufficiently given and shall be deemed given if given in the manner provided in Section 13.4 of the Indenture. Copies of each notice, certificate or other communication given under this Agreement by any party shall be given to the other parties. By notice given under this Agreement, any party may designate further or different addresses to which subsequent notices, certificates or other communications are to be sent. A duplicate copy of each notice, certificate, request or other communication given under this Agreement to the Issuer, the Borrower or the Trustee shall also be given to the Credit Provider, the Loan Servicer and prior to the Conversion Date, the Construction Lender.

Amendment. No amendment to this Agreement shall be binding upon the parties to this Agreement until such amendment is reduced to writing and executed by such parties; provided, however, that no amendment, supplement or other modification to this Agreement or any other Bond Document shall be effective without the prior written consent of the Credit Provider, subject to the provisions of Section 8.12.

Entire Agreement. This Agreement is one agreement in a set of agreements, documents and instruments representing an integrated transaction. The agreements, documents and instruments are the Transaction Documents. The Transaction Documents contain all agreements between the parties to the integrated transaction, and there are no other representations, warranties, promises, agreements or understandings, oral, written or implied, among them, unless reference is made in a Transaction Document. Nothing in this Agreement shall relieve the Borrower of its obligations under the Loan Documents and the Credit Facility Documents.

Binding Effect. This Agreement is a continuing obligation and shall (i) be binding upon each of the parties to this Agreement and their successors and assigns and (ii) inure to the benefit of

and be enforceable by such parties and their respective successors, transferees and assigns; provided, however, that the Borrower may not assign all or any part of this Agreement without the prior written consent of the Issuer.

Further Assurances and Corrective Instruments. The parties agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such amendments to this Agreement and to the other Transaction Documents contemplated by this Agreement as reasonably may be required to carry out the intention of, or to facilitate the performance of this Agreement, or to perfect or give further assurances of any of the rights granted or provided for in this Agreement.

Severability. Should one or more of the provisions of this Agreement be held to be invalid, illegal or unenforceable in any jurisdiction, such provision shall be severable from the remainder as to such jurisdiction and the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired in any jurisdiction.

Execution in Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Governing Law. This Agreement shall be construed, and the obligations, rights and remedies of the parties under this Agreement shall be determined, in accordance with the laws of the State without regard to conflicts of laws principles, except to the extent that the laws of the United States of America may prevail.

WAIVER OF JURY TRIAL. THE BORROWER, THE ISSUER AND THE TRUSTEE (A) COVENANT AND AGREE NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING UNDER THIS AGREEMENT TRIABLE BY A JURY AND (B) WAIVE ANY RIGHT TO TRIAL BY JURY TO THE EXTENT THAT ANY SUCH RIGHT NOW EXISTS OR SHALL LATER EXIST. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS SEPARATELY GIVEN, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL BY THE BORROWER, AND THIS WAIVER IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A

JURY TRIAL WOULD OTHERWISE ACCRUE. FURTHER, THE BORROWER CERTIFIES THAT NO REPRESENTATIVE OR AGENT OF THE ISSUER (INCLUDING, BUT NOT LIMITED TO, THE ISSUER'S COUNSEL) HAS REPRESENTED, EXPRESSLY OR OTHERWISE, TO THE BORROWER THAT THE ISSUER WILL NOT SEEK TO ENFORCE THE PROVISIONS OF THIS SECTION.

Limited Liability of the Issuer. All obligations of the Issuer under this Agreement, the Regulatory Agreement and the Indenture shall be limited obligations of the Issuer, payable solely and only from the Trust Estate. No owner or owners of any of the Bonds shall ever have the right to compel any exercise of the taxing power of the State or any political subdivision or other public body for the payment of the Bonds, nor to enforce the payment of the Bonds against any property of the State or any such political subdivision or other public body, including the Issuer except as provided in the Indenture. No member, officer, agent, employee or attorney of the Issuer, including any person executing this Agreement on behalf of the Issuer, shall be liable personally under this Agreement. No recourse shall be had for the payment of the principal of or the interest on the Bonds, for any claim based on or in respect of the Bonds or based on or in respect of this Agreement, against any member, officer, employee, attorney or agent, as such, of the Issuer or any successor whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance of this Agreement and as part of the consideration for the issuance of the Bonds, expressly waived and released.

Term of this Agreement. This Agreement shall be in full force and effect from its date to and including such date as all of the Bonds are fully paid or retired (or provision for such payment shall have been made as provided in the Indenture); provided, however, that Sections 2.5, 2.6 and 5.5 and Articles III and VI shall survive the termination of this Agreement.

References to the Credit Provider. All provisions in this Agreement regarding consents, approvals, directions, waivers, appointments, requests or other actions by the Credit Provider shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if the Credit Provider were not

mentioned (i) if a Wrongful Dishonor has occurred and is continuing, or (ii) from and after the date on which the Credit Facility is declared to be null and void by final judgment of a court of competent jurisdiction; provided, however, that the payment of any amounts due to the Credit Provider pursuant to this Agreement shall continue in full force and effect. The foregoing shall not affect any other rights of the Credit Provider. All provisions in this Agreement relating to the rights of the Credit Provider shall be of no force and effect if the Credit Facility has terminated or expired in accordance with its terms and there are no Pledged Bonds or Bonds in which the Credit Provider has a security interest and all amounts owing to the Credit Provider under the Reimbursement Agreement have been paid.

The remainder of this page is intentionally blank.

The parties to this Agreement have caused this Agreement to be executed by their duly authorized representatives as of the date set forth above.

THE HOUSING AUTHORITY OF THE COUNTY
OF LOS ANGELES

By: _____
Executive Director

CASTAIC SENIOR COMMUNITIES, L.P.,
a California limited partnership

By: SANTA CLARITA VALLEY
COMMITTEE ON AGING
CORPORATION, a California nonprofit
public benefit corporation, its Managing
General Partner

By: _____
Donald L. Kimball
its Vice President and
Executive Board Member

By: _____
Brad Berens
its Executive Director

By: CASTAIC SENIOR COMMUNITIES
LLC, a California limited liability
company, its Co-General Partner

By: COMMUNITY HOUSING
DEVELOPMENT GROUP, INC.,
a California corporation, its
Member

By: _____
Jules Swimmer
its President

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Officer

ARTICLE I

INCORPORATION OF RECITALS, DEFINITIONS AND RULES OF CONSTRUCTION

SECTION 1.1	Incorporation of Recitals.....	1
SECTION 1.2	Definitions.....	1
SECTION 1.3	Rules of Construction	1
SECTION 1.4	Interpretation.....	1

ARTICLE II

THE LOAN

SECTION 2.1	Amount and Source of Loan	1
SECTION 2.2	Note and Security Instrument	2
SECTION 2.3	Costs of Issuance Deposit	2
SECTION 2.4	Credit Facility	2
SECTION 2.5	Payment of Fees, Costs and Expenses	2
SECTION 2.6	Liability for Fees, Costs and Expenses	3
SECTION 2.7	Borrower's Obligations Upon Tender of Bonds	3
SECTION 2.8	Redemption Premium	3
SECTION 2.9	Obligation of the Borrower to Pay Deficiencies	3
SECTION 2.10	Borrower's Approval of Transaction Documents	4

ARTICLE III

NATURE OF BORROWER'S OBLIGATIONS; SECURITY FOR OBLIGATIONS

SECTION 3.1	Obligations of the Borrower Unconditional	4
SECTION 3.2	Nonrecourse Liability	4
SECTION 3.3	Obligations Unsecured.....	5
SECTION 3.4	Certain Obligations Personal to the Borrower	5

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.1	Representations and Warranties of the Issuer	5
SECTION 4.2	Representations and Warranties of the Borrower	6

ARTICLE V
COVENANTS OF THE BORROWER

SECTION 5.1	Compliance With Laws.....	9
SECTION 5.2	Maintenance of Legal Existence.....	9
SECTION 5.3	Access to Mortgaged Property and Records.....	9
SECTION 5.4	Reports and Information	10
SECTION 5.5	Tax Covenants	10
SECTION 5.6	Notice of Certain Events.....	10
SECTION 5.7	Obligation of the Borrower to Construct the Property.....	11

ARTICLE VI
INDEMNIFICATION

SECTION 6.1	Borrower's Obligations.....	11
SECTION 6.2	Defense of Claims.....	13
SECTION 6.3	Borrower's Continuing Obligations.....	13

ARTICLE VII
EVENTS OF DEFAULT AND REMEDIES

SECTION 7.1	Events of Default	13
SECTION 7.2	Remedies upon an Event of Default	14
SECTION 7.3	No Levy or Other Execution Against Mortgaged Property	14
SECTION 7.4	Waiver and Annulment.....	14
SECTION 7.5	No Remedy Exclusive.....	14
SECTION 7.6	No Waiver.....	14
SECTION 7.7	No Notices	14
SECTION 7.8	Expenses	15

ARTICLE VIII
MISCELLANEOUS

SECTION 8.1	Notices	15
SECTION 8.2	Amendment.....	15
SECTION 8.3	Entire Agreement.....	15
SECTION 8.4	Binding Effect.....	15
SECTION 8.5	Further Assurances and Corrective Instruments.....	15
SECTION 8.6	Severability	16
SECTION 8.7	Execution in Counterparts.....	16
SECTION 8.8	Governing Law	16
SECTION 8.9	Waiver of Jury Trial.....	16
SECTION 8.10	Limited Liability of the Issuer	16
SECTION 8.11	Term of this Agreement.....	17

SECTION 8.12	References to the Credit Provider	17
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FINANCING AGREEMENT

among

**THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES,
as Issuer**

and

**U.S. BANK NATIONAL ASSOCIATION,
as Trustee**

and

**CASTAIC SENIOR COMMUNITIES, L.P., A CALIFORNIA LIMITED PARTNERSHIP
as Borrower**

Relating to

\$9,300,000

**The Housing Authority of the County of Los Angeles Variable Rate Demand Multifamily
Housing Revenue Bonds (Castaic Senior Apartments Project), Series 2003C**

Dated as of June 1, 2003

FINANCING AGREEMENT

THIS FINANCING AGREEMENT (“Agreement”) dated as of June 1, 2003, is among **THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES**, a public body corporate and politic of the State of California (“Issuer”), **CASTAIC SENIOR COMMUNITIES, L.P.**, a California limited partnership (“Borrower”), and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association (“Trustee”), not in its individual or corporate capacity, but solely as Trustee under the Indenture.

INCORPORATION OF RECITALS, DEFINITIONS AND RULES OF CONSTRUCTION

Incorporation of Recitals. The Recitals to the Indenture are incorporated into and made a part of this Agreement.

Definitions. All capitalized terms used in this Agreement have the meanings given to those terms in the Indenture or elsewhere in this Agreement unless the context or use clearly indicates a different meaning.

Rules of Construction. The rules of construction set forth in Section 1.2 of the Indenture shall apply to this Agreement in their entirety, except that in applying such rules, the term “Agreement” shall be substituted for the term “Indenture”.

Interpretation. The parties to this Financing Agreement acknowledge that each party and the Credit Provider and their respective counsel have participated in the drafting, review and revision of this Financing Agreement. Accordingly, the parties agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Financing Agreement or any amendment, modification, supplement or restatement of any of the foregoing or of any exhibit to this Financing Agreement.

THE LOAN

Amount and Source of Loan. The Issuer has authorized the issuance of the Bonds in the aggregate principal amount of \$9,300,000. The Issuer agrees to make the Loan in the amount of \$9,300,000 to the Borrower with the Net Bond Proceeds. Upon the issuance and delivery of the Bonds, the Issuer will deliver the Net Bond Proceeds to the Trustee. The

Loan shall be deemed made in full upon deposit of the Net Bond Proceeds into the Loan Fund. The Borrower accepts the Loan from the Issuer upon the terms and conditions set forth in this Agreement and the Loan Documents, subject to the Indenture, the Regulatory Agreement and the Assignment. Disbursements will be made from the Loan Fund as provided in the Indenture. The Borrower agrees to apply the proceeds of the Loan to pay the costs of the construction, equipping and permanent financing for the multifamily housing facility known as Castaic Senior Apartments.

Borrower hereby acknowledges that the Issuer shall have no obligation to issue the bonds or make the Loan unless all conditions to the funding of the Loan set forth herein and in the Indenture have been satisfied.

Note and Security Instrument. The Loan shall be evidenced by, payable in accordance with, and bear interest at the rates and on the terms provided in, the Note and secured by the Security Instrument.

Costs of Issuance Deposit. Prior to the issuance of the Bonds, the Borrower shall pay to the Trustee the Costs of Issuance Deposit for deposit into the Costs of Issuance Fund. The Issuer shall have no obligation to issue the Bonds and to fund the Loan unless and until the Borrower delivers the Costs of Issuance Deposit.

Credit Facility. The Borrower agrees to cause credit enhancement for the Loan or the Bonds and liquidity support for the Bonds to be in effect in the amounts and during the periods as required by the Indenture. From time to time, the Borrower may arrange for the delivery to the Trustee of one or more Alternate Credit Facilities meeting the requirements of the Indenture in substitution for the Credit Facility then in effect.

Payment of Fees, Costs and Expenses. The Borrower shall pay when due, without duplication, the fees, expenses and other sums specified in this Section.

Fees Due at Closing. The Borrower shall pay or provide for the payment of all Costs of Issuance and the Trustee's acceptance fee, if any, on the Closing Date.

Third Party Fees. The Borrower shall pay the Third Party Fees on a monthly basis. Each monthly payment shall be in an amount equal

to the aggregate of all of the Third Party Fees prorated monthly so that the Trustee shall have the full amount of each fee available in the Fees Account to pay each Third Party Fee as it falls due without regard to whether any Third Party Fee is payable monthly, annually or on any other periodic basis. The Third Party Fees are as follows:

The Issuer's annual fee (the "Issuer's Fee") in the amount of \$11,625, payable in advance on the Closing Date and on each anniversary of the Closing Date.

The Trustee's Annual Fee.

The Tender Agent's Annual Fee.

The Remarketing Agent's Fee.

The Rebate Analyst's Fee.

Fees and Expenses.

Rating Agency. The annual rating maintenance fee of each Rating Agency.

Extraordinary Items. The Extraordinary Items.

Certain Advances, Expenses and other Items. All advances, out-of-pocket expenses, costs and other charges of each of the Issuer, the Rebate Analyst, the Remarketing Agent, the Tender Agent and the Trustee incurred from time to time, but only to the extent that any such amounts are payable by the Borrower pursuant to an agreement between the Borrower and such Person regarding its services in connection with the Bonds or the Loan.

Bond Costs. All costs of registering, printing, reprinting, preparing and delivering any replacement bonds required under the Indenture and in connection with the registration, printing, reprinting or transfer of Bonds.

Adjustment or Conversion of Interest Rate; Tender, Purchase, Remarketing or Reoffering of Bonds. All fees, costs and expenses of any change in Mode or of any tender, purchase, remarketing or reoffering of any Bonds. The fees, costs and expenses of any tender, purchase, remarketing or reoffering of Bonds must be paid by the Borrower in advance in accordance with the Remarketing Agreement or other agreement relating to the remarketing or reoffering of the Bonds.

Conversion. All fees, costs and expenses in connection with Conversion.

The Borrower agrees to timely honor any demand for payment by the Trustee pursuant to Section 5.7(b) of the Indenture on account of any insufficiency in the Fees Account. Any amounts payable to the Issuer but not paid in accordance with this Section 2.5 shall bear interest at a rate of 1% per month until paid.

Liability for Fees, Costs and Expenses. Neither the Issuer nor the Trustee shall have any obligation to pay any of the fees, costs or expenses referred to in Section 2.5.

Borrower's Obligations Upon Tender of Bonds. If any Tendered Bond is not remarketed on any Tender Date and a sufficient amount is not available in the Bond Purchase Fund for the purpose of paying the purchase price of such Bond, the Borrower will cause to be paid to the Trustee pursuant to the Credit Facility or otherwise pay by the applicable times provided in the Indenture, an amount equal to the principal amount of all Bonds tendered and not remarketed, together with interest accrued to the Tender Date.

Redemption Premium. The Borrower shall pay all redemption premium, if any, payable with respect to each redemption of any of the Bonds. The Borrower shall make each such payment, or cause such payment to be made, in Available Moneys.

Obligation of the Borrower to Pay Deficiencies. The Borrower shall pay any deficiency resulting from any loss due to a default under any Permitted Investment in any Fund or Account or a change in value of any Permitted Investment.

Borrower's Approval of Transaction Documents. The Borrower acknowledges that it participated in the drafting and negotiation of the Transaction Documents and approves and agrees to each of the provisions of the Transaction Documents. The Borrower agrees that it is bound by, shall adhere to, and shall have the rights set forth by, the Indenture.

NATURE OF BORROWER'S OBLIGATIONS; SECURITY FOR OBLIGATIONS

Obligations of the Borrower Unconditional. To the fullest extent permitted by law, the obligations of the Borrower to make all payments and perform its other obligations under this Agreement shall be absolute, unconditional and irrevocable, shall be paid and performed strictly in accordance with the

applicable Transaction Documents under all circumstances, including, without limitation, the following circumstances: (i) any invalidity or unenforceability of the Credit Facility or any of the other Transaction Documents; (ii) any amendment or waiver of, or any consent to departure from, the terms of the Credit Facility or any of the other Transaction Documents, any extension of time or other modification of the terms and conditions for any act to be performed in connection with the Credit Facility or any of the other Transaction Documents; (iii) the existence of any claim, set-off, defense or other right which the Borrower may have at any time against the Issuer, the Trustee, the Tender Agent, the Credit Provider, the Loan Servicer, the Remarketing Agent or any other Person, whether in connection with any of the Transaction Documents, the Mortgaged Property, or any unrelated transaction; (iv) the surrender or impairment of any security for the performance or observance of any of the agreements or terms of any of the Transaction Documents; (v) defect in title to the Mortgaged Property, any act or circumstance that may constitute failure of consideration, destruction of, damage to or condemnation of the Mortgaged Property, commercial frustration of purpose, or any change in the tax or other laws of the United States of America or of the State or any political subdivision of either, (vi) the breach by the Issuer, the Trustee, the Tender Agent, the Remarketing Agent, the Credit Provider, the Loan Servicer or any other Person of any of its obligations under any Transaction Document; or (vii) any other circumstance, happening or omission whatsoever, whether or not similar to any of the foregoing.

Nonrecourse Liability. Except as otherwise provided in the Loan Documents and the Credit Facility Documents, in any action or proceeding brought with respect to the Loan or the Bonds, no deficiency or other money judgment shall be enforced against the Borrower or any partner of the Borrower or any successor or assign of the Borrower, and any judgment obtained shall be enforced only against the Mortgaged Property and other property of the Borrower encumbered by the Loan Documents and not against the Borrower or any partner of the Borrower or any successor or assign of the Borrower. Notwithstanding the foregoing, the obligations of the Borrower to pay amounts to the Issuer, the Trustee or the Tender Agent and to pay any and all rebate amounts that may be or become owing with respect to the Bonds (except with respect to any payments payable

to Fannie Mae or the Loan Servicer), shall be (i) general obligations of the Borrower with recourse to the Borrower personally (provided that there shall be no recourse for such amounts against Santa Clarita Valley Committee on Aging Corporation, the managing general partner for the Borrower), and (ii) subordinate and junior in priority, right of payment and all other respects to any and all obligations of the Borrower under the Loan Documents and to the Credit Provider under or in respect of the Credit Facility Documents.

Obligations Unsecured. All obligations of the Borrower under this Agreement and under the Regulatory Agreement, including the obligations of the Borrower with respect to the Reserved Rights, shall not be secured by the Security Instrument and shall not constitute a lien on the Mortgaged Property in any manner.

Certain Obligations Personal to the Borrower. No subsequent owner of the Mortgaged Property (including the Credit Provider as a result of a foreclosure, a deed in lieu of foreclosure or comparable conversion of the Loan) shall be liable for any breach or default of any obligation of any prior owner under the Regulatory Agreement or this Agreement, including any payment or indemnification obligation. The owner of the Mortgaged Property at the time any default or breach occurs shall remain liable for any and all damages occasioned by such default or breach even after such Person ceases to be the owner. Upon seeking to collect such damages, neither the Issuer nor the Trustee shall have recourse against or the right to levy against or otherwise collect on any judgment from the Mortgaged Property.

REPRESENTATIONS AND WARRANTIES

Representations and Warranties of the Issuer. The Issuer represents and warrants that:

The Issuer is a corporate body public and politic duly organized and validly existing under the constitution and laws of the State.

The Issuer has complied with the Act and the constitution and laws of the State that are prerequisites to the closing of the transactions provided for in the Bond Documents.

The issuance of the Bonds to provide funding for the Loan is intended to serve the public interest and will further the purposes of the Act including the provision of decent, safe and sanitary rental housing units for persons and families of low or moderate income; to accomplish the foregoing, the Issuer intends to issue the Bonds on the terms set forth in the Indenture and to use the proceeds derived from the sale of the Bonds as specified in the Indenture and this Agreement.

The Bonds have been duly executed and delivered by the Issuer and, upon authorization by the Trustee, will constitute legal, valid and binding special limited obligations of the Issuer, enforceable against the Issuer in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights of creditors generally and general principles of equity.

The Issuer has the full legal right, power and authority to execute and deliver the Issuer Documents, and to carry out its obligations under each of those documents. The issuance of the Bonds and the execution, delivery and performance of the Issuer Documents have been duly authorized by the Issuer. Each of the Issuer Documents has been duly executed and delivered by the Issuer, and, upon execution and delivery by the other party or parties to the Issuer Documents, is a legal, valid and binding, special, limited obligation of the Issuer, enforceable against the Issuer in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights of creditors generally and general principles of equity.

Neither the execution and delivery of, nor the fulfillment of or compliance with the terms or conditions of, the Issuer Documents violates the constitution or laws of the State or any judgment, order, writ, injunction or decree to which the Issuer is subject, or conflicts in any material respect with, or results in a material breach of, or material default under, any agreement or instrument to which the Issuer is now a party or by which it is bound.

Except as otherwise provided in the Indenture and the Assignment, the Issuer has not created any debt, lien or charge upon the Trust Estate, and has not made any pledge or assignment of or created any encumbrance on the Trust Estate.

The Issuer has complied with all material provisions of the Act applicable to the Bonds and the transactions provided for in the Issuer Documents.

No litigation or administrative action of any nature is pending against the Issuer (i) seeking to restrain or enjoin the issuance of the Bonds or the execution and delivery of the Issuer Documents, (ii) questioning the proceedings or authority relating to the Bonds or any other Issuer Document or (iii) questioning the existence or authority of the Issuer or that of its present or former members or officers and, to the best knowledge of the Issuer, none of the foregoing is threatened.

The Bonds are being issued under the Indenture, and are secured by the Trust Estate. Under the Indenture the Issuer's interest in this Agreement (other than the Reserved Rights) and the revenues and receipts to be derived by the Issuer pursuant to this Agreement, are pledged and assigned to the Trustee as security for payment of the principal of and interest and any premium on the Bonds.

Representations and Warranties of the Borrower. Each representation and warranty made by the Borrower in each of the Borrower Documents is incorporated herein by reference, and the Borrower hereby certifies that all such representations and warranties are true and correct. The Borrower further represents and warrants that:

(i) Borrower is and shall at all times hereafter be a limited partnership, duly organized and validly existing under the laws of the State, and is and at all times hereafter shall be qualified and licensed to do business, and is in good standing, in the State and in any other state in which it conducts its business or in which the failure to qualify could have a material adverse effect on the condition, financial or otherwise, business, property or results of operations of the Borrower.

(ii) Each General Partner is and shall at all times hereafter be a corporation or limited liability company, as applicable, duly organized and validly existing under the laws of the State of California, and is and at all times hereafter shall be qualified and licensed to do business, and is in good standing, in the State and in any other state in which it conducts its business or in which the failure to qualify could have a material adverse effect on the condition, financial or otherwise, business, property or results of operations of such General Partner or Borrower.

Borrower has all requisite partnership power to borrow the sums provided for in this Agreement and has all requisite power to execute, deliver, issue and perform its obligations under the Borrower Documents and to consummate the transactions

hereunder and thereunder. Each General Partner has all requisite power to act on its own behalf and as Borrower's general partner in connection with its and Borrower's execution, delivery and performance of its obligations under the Borrower Documents and the consummation of the transactions thereunder.

All partnership actions on the part of Borrower and its partners necessary for the authorization, execution, delivery of and performance under the Borrower Documents have been duly taken and are in full force and effect. All corporate or other entity actions on the part of each General Partner, acting on its own behalf and as Borrower's general partner, necessary for the authorization, execution, delivery or performance under the Borrower Documents have been duly taken and are in full force and effect. In addition, each authorized officer or other signatory executing the Borrower Documents or Loan Documents on behalf of Borrower is or was (as of the date of such execution) duly and properly in office and fully authorized to execute and deliver the same on behalf of each General Partner acting as Borrower's general partner and where so indicated, on its own behalf.

The Borrower Documents have been duly executed and delivered and are the legal, valid and binding obligations of Borrower, enforceable in accordance with their respective terms, except as limited by applicable bankruptcy, reorganization, insolvency or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

The execution by Borrower of the Borrower Documents does not constitute a breach of any provision contained in the partnership agreement creating the Borrower, nor does the execution or performance thereof constitute an event of default under any agreement to which Borrower is a party or by which it is subject, nor do such Borrower Documents violate any order, decree or judgment of any court of public authority.

The execution and delivery of the Borrower Documents, the performance by the Borrower of its obligations thereunder, and the consummation of the transactions contemplated thereby do not and will not violate any law, regulation, rule or ordinance or any order, judgment or decree of any federal, state or local court to which Borrower, or any of its respective properties, is subject, and do not and will not

conflict with or constitute a material breach of, or a material default under any document, instrument or commitment to which the Borrower or by which the Borrower or any of its property is bound.

Borrower is in compliance in all material respects with all applicable laws, rules, regulations and ordinances to which Borrower, or any of its properties is subject.

There are no claims, actions, proceedings or investigations pending against Borrower, or affecting the Mortgaged Property, before any court or public authority. Borrower has no knowledge of any pending, threatened or imminent litigation, governmental investigations or complaints, actions or prosecutions involving Borrower, or any breaches by Borrower, or any other person or entity of any agreement to which Borrower is a party or by which either is bound.

There is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency or public board or body pending against the Borrower or, to the best knowledge of the Borrower, threatened against the Borrower (nor, to the best knowledge of the Borrower, is there any basis therefor) which (i) affects or seeks to prohibit, restrain or enjoin the execution and delivery of the Borrower Documents, (ii) affects or questions the validity or enforceability of the Borrower Documents or (iii) questions the power or authority of the Borrower to carry out the transactions contemplated by, or to perform its obligations contemplated by, or to perform its obligations under the Borrower Documents, or the powers of the Borrower to own, acquire, rehabilitate, equip, develop and or operate the Mortgaged Property or finance or refinance the Mortgaged Property.

The Borrower is not in default beyond applicable cure periods under any document, instrument or commitment to which the Borrower is a party or to which it or any of its property is subject which default would or could affect the ability of the Borrower to carry out its obligations under the Borrower Documents.

Neither the Borrower Documents nor any document, certificate or statement (including but not limited to information and estimates with respect to the Project or the financing or refinancing thereof, as applicable) furnished to the Trustee, the Issuer or Bond Counsel by or on behalf of the Borrower (including information included in the Issuer's application

to the California Debt Limit Allocation Committee for Private Activity Bond Volume Cap for the Bonds) in connection with the Loan or required by the Borrower Documents, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading or incomplete as of the date hereof and as of the Closing Date. It is specifically understood by the Borrower that all such statements, representations and warranties shall be deemed to have been relied upon by the Issuer as an inducement to fund the Loan. To the best knowledge of Borrower, after diligent inquiry and investigation, there is no material fact which Borrower has not disclosed to Issuer and Trustee, in writing which materially and adversely affect the assets, business, prospects, profits or condition (financial or otherwise) of Borrower, the rights of the Issuer and the Trustee or the owners of the Bonds, or the ability of Borrower to perform its obligations under Borrower Documents.

Any certificate signed by a General Partner and delivered pursuant to the Borrower Documents shall be deemed a representation and warranty by the Borrower as to the statements made therein.

COVENANTS OF THE BORROWER

Compliance With Laws. The Borrower will comply with all laws, ordinances, regulations and requirements of any duly constituted public authorities which may be applicable to the Mortgaged Property and all recorded lawful covenants and agreements relating to or affecting the Mortgaged Property, including all laws, ordinances, regulations, requirements and covenants pertaining to health and safety, construction of improvements on the Mortgaged Property, fair housing, zoning and land use, and Leases (as such term is defined in the Security Instrument). The Borrower also will comply with all applicable laws that pertain to the maintenance and disposition of tenant security deposits. The Borrower will at all times maintain records sufficient to demonstrate compliance with the provisions of this Section. The Borrower will take appropriate measures to prevent, and will not engage in or knowingly permit, any illegal activities at the Mortgaged Property that could endanger tenants or visitors, result in damage to the Mortgaged Property, result in forfeiture of the Mortgaged Property, or

otherwise materially impair the lien created by the Security Instrument. The Borrower represents and warrants that no portion of the Mortgaged Property has been or will be purchased with the proceeds of any illegal activity. Nothing contained in this Section is intended to modify or limit any provisions of the Regulatory Agreement or any Loan Document.

Maintenance of Legal Existence. The Borrower will maintain its existence, continue to be duly qualified to do business in the State and will not terminate or dissolve. With the prior written consent of the Issuer, the Borrower may consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it, but subject to the satisfaction of the following conditions: (i) the entity resulting from or surviving such merger or consolidation (if other than the Borrower) ("**Surviving Entity**") is duly organized and existing in good standing and qualified to do business in the State, (ii) if the Borrower does not survive the consolidation or merger, the Surviving Entity expressly assumes in writing all of the Borrower's obligations under this Agreement and the other Borrower Documents and (iii) the Borrower delivers an opinion of Bond Counsel to the effect that such consolidation or merger will not cause interest on the Bonds to be included in gross income for federal income tax purposes.

Access to Mortgaged Property and Records. Subject to the rights of tenants and upon reasonable notice of not less than 24 hours, the Issuer and the Trustee and the respective duly authorized agents of each have the right, during normal business hours, to enter the Mortgaged Property and any location containing records relating to any of the Borrower, the Mortgaged Property, the Loan and the Transaction Documents, to inspect, audit and make copies of the Borrower's records or accounts pertaining to the Borrower, the Mortgaged Property, the Loan, the Transaction Documents, and the Borrower's compliance with the Transaction Documents, and to require the Borrower, at the Borrower's sole expense, to furnish such documents to the Issuer and the Trustee, as the Issuer or the Trustee from time to time deems necessary in order to determine that the Borrower is in compliance with the Transaction Documents and to make copies of any records that the Issuer or the Trustee, or their respective duly authorized agents, may reasonably require. The Borrower will make available to the Issuer and the Trustee such other information

concerning the Borrower, the Mortgaged Property, the Loan and the Transaction Documents as any of them may reasonably request.

Reports and Information. The Borrower will file such certificates and other reports with the Issuer and the Trustee as are required by the Transaction Documents. The Borrower will provide to the Issuer all information necessary to enable the Issuer to complete and file all forms and reports required by the laws of the State and the Code in connection with the Mortgaged Property and the Bonds.

Tax Covenants. The Borrower covenants that it will comply with the requirements and conditions of the Tax Certificate and the Regulatory Agreement. Without limiting the foregoing and notwithstanding anything to the contrary in this Agreement, the Borrower will not take, or permit to be taken on its behalf, any action which would cause interest on the Bonds to be included in gross income for federal income tax purposes and will take such reasonable action as may be necessary to continue such exclusion from gross income, including:

the Borrower will not use the proceeds of the Bonds, or any other funds which may be deemed to be proceeds of the Bonds pursuant to Section 148 of the Code, in the manner which will cause the Bonds to be “arbitrage bonds” within the meaning of such Section, and will comply with the requirements of such Section throughout the term of the Bonds;

the Borrower will prepare and file any statements required to be filed by it in order to maintain such exclusion; and

the Borrower will pay to the United States any amount required to be paid by the Issuer or the Borrower pursuant to Section 148(f) of the Code, at the times, in the amounts and at the places required in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes. The Borrower irrevocably authorizes and directs the Issuer, the Trustee and any other agent designated by the Issuer to make payment of such amounts from funds of the Borrower, if any, held by the Issuer, the Trustee, or any agent of the Issuer or the Trustee. The Borrower specifically acknowledges and agrees to the provisions of Section 5.9 of the Indenture.

The Borrower further covenants and agrees that, pursuant to the requirements of Treasury Regulation Section 1.148-1(b), it (or any related person contemplated by such regulations) will not purchase Bonds in an amount related to the amount of the Loan, other than Pledged Bonds.

In furtherance of the covenants of this Section, the Issuer and the Borrower shall execute, deliver and comply with the provisions of the Tax Certificate, which is by this reference incorporated into this Financing Agreement and made a part hereof.

Notice of Certain Events. The Borrower will advise the Issuer and the Trustee promptly in writing of the occurrence of any default by the Borrower in the performance or observance of any covenant, agreement, representation, warranty or obligation of the Borrower set forth in this Agreement or in any of the other Borrower Documents, or of any Event of Default or Potential Default under this Agreement known to it or of which it has received notice, specifying the nature and period of existence of such event and the actions being taken or proposed to be taken with respect to such default. Such notice shall be given promptly, and in no event less than ten Business Days after the Borrower receives notice or has knowledge of the occurrence of any such event. The Borrower further agrees, that it will give prompt written notice to the Trustee if insurance proceeds or condemnation awards are received with respect to the Mortgaged Property.

Obligation of the Borrower to Construct the Property. The Borrower shall proceed with reasonable dispatch to complete the construction and equipping of the Mortgaged Property. If amounts on deposit in the Loan Fund are not sufficient to pay the costs of completion, the Borrower shall pay such costs or cause the same to be paid from other sources. By reason of any such payment of costs relating to the Mortgaged Property from sources other than the Loan Fund, the Borrower shall not be entitled to any reimbursement from the Issuer, the Trustee, the Credit Provider, the Loan Service or the holders of the Bonds in respect of such payment or to any diminution or abatement in the repayment of the Loan. Neither the Issuer nor the Credit Provider shall be liable to the Borrower, the holders of the Bonds or any other person if for any reason the Mortgaged Property is not completed or if the proceeds of the Loan are insufficient to pay all costs of the Mortgaged Property.

NEITHER THE ISSUER NOR THE TRUSTEE MAKES ANY WARRANTY, EITHER EXPRESS OR IMPLIED, THAT MONEYS, IF ANY, WHICH WILL BE PAID INTO THE LOAN FUND OR OTHERWISE MADE AVAILABLE TO THE BORROWER WILL BE SUFFICIENT TO COMPLETE THE MORTGAGED PROPERTY, AND THE ISSUER AND THE TRUSTEE SHALL NOT BE LIABLE TO THE BORROWER, THE BONDHOLDERS OR ANY OTHER PERSON IF FOR ANY REASON THE MORTGAGED PROPERTY IS NOT COMPLETED.

INDEMNIFICATION

Borrower's Obligations. The Borrower releases the Issuer, the Trustee, the Tender Agent and their respective officers, directors, agents, officials, employees (and, as to the Issuer, members of its governing body) and any person who controls the Issuer, the Trustee or the Tender Agent within the meaning of the Securities Act of 1933, from, and covenants and agrees to indemnify, hold harmless and defend the Issuer, the Trustee, the Tender Agent and their respective officers, directors, employees, agents, members of its governing body, officials and any person who controls such party within the meaning of the Securities Act of 1933 and employees and each of them (each an **"Indemnified Party"**) from and against, any and all losses, claims, damages, liabilities and expenses (including attorneys' fees and expenses), taxes, causes of action, suits and judgments of any nature, joint or several, by or on behalf of any person arising out of:

the approval of financing for the Mortgaged Property or the making of the Loan;

the issuance and sale, resale or remarketing of any Bonds or any certifications or representations made by any person other than the party seeking indemnification in connection therewith, including, but not limited to, any (i) statement or information made by the Borrower with respect to the Borrower or the Mortgaged Property in any offering document or materials regarding the Bonds, the Mortgaged Property or the Borrower or in the Tax Certificate of the Borrower or in any other certificate executed by the Borrower which, at the time made, is misleading, untrue or incorrect in any material respect, (ii) untrue statement or alleged untrue statement of a material fact relating to the Borrower or the Mortgaged Property contained in any offering material relating to the sale of the Bonds, as from time to time amended or supplemented, or arising out of or based upon the omission or alleged omission to state in such offering

material a material fact relating to the Borrower or the Mortgaged Property required to be stated in such offering material or necessary in order to make the statements in such offering material not misleading, (iii) failure to properly register or otherwise qualify the sale of the Bonds or failure to comply with any licensing or other law or regulation which would affect the manner in which or to whom the Bonds could be sold;

the interpretation, performance, enforcement, breach, default or amendment of the Bond Documents, the Loan Documents or any other documents relating to the Mortgaged Property or the Bonds or in connection with any federal or state tax audit, or any questions or other matters arising under such documents;

the Borrower's failure to comply with any requirement of this Agreement or the Regulatory Agreement;

the condition of the Mortgaged Property (environmental or otherwise), including any violation of any law, ordinance, court order or regulation affecting the Mortgaged Property or any part of it;

any damage or injury, actual or claimed, of whatsoever kind, cause or character, to property (including loss of use of property) or persons, occurring or allegedly occurring in, on or about the Mortgaged Property or arising out of any action or inaction of the Borrower or any of its agents, servants, employees or licensees, whether or not related to the Mortgaged Property, or resulting from the acquisition, construction, design, rehabilitation, repair, operation, use or management of all or any part of the Mortgaged Property;

the Trustee's acceptance or administration of the trusts created by, and the exercise of its powers or duties under, the Indenture or under this Agreement, the Regulatory Agreement, the Credit Facility or any other agreements in connection with such agreements to which it is a party; and

to the extent not mentioned in any of the preceding subsections, any cause whatsoever in connection with transactions provided for in this Agreement and the other Transaction Documents or otherwise in connection with the Mortgaged Property, the Bonds or the execution or amendment of any document relating to the Bonds or the Mortgaged Property.

This indemnification shall extend to and include, without limitation, all reasonable costs, counsel fees, expenses and liabilities incurred in connection with any such claim, or proceeding brought with respect to such claim, except (i) in the case of the foregoing indemnification of the Trustee or any of the its Indemnified Parties, to the extent such damages are caused by the negligence or willful misconduct of such Person, and (ii) in the case of the foregoing indemnification of the Issuer or any of its Indemnified Parties, to the extent such damages are caused by the willful misconduct of such Person.

Defense of Claims. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought under Section 6.1, the Borrower, upon written notice from the Indemnified Party, will assume the investigation and defense of the action or proceeding, including the engagement of counsel selected by the Borrower, subject to the approval of the Indemnified Party in such party's sole discretion, and shall assume the payment of all expenses related to the action or proceeding, with full power to litigate, compromise or settle the same in its sole discretion; provided, however, that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to engage separate counsel in any action or proceeding and participate in the investigation and defense of such action or proceeding, and the Borrower shall pay the reasonable fees and expenses of such separate counsel if (i) the Indemnified Party determines that a conflict exists between the interests of the Indemnified Party and the interests of the Borrower or (ii) such separate counsel is engaged with the approval of the Borrower, which approval shall not be unreasonably withheld, conditioned or delayed.

Borrower's Continuing Obligations. Notwithstanding any transfer of the Mortgaged Property to another owner in accordance with the Regulatory Agreement, the Borrower shall remain obligated to indemnify each Indemnified Party pursuant to this Article VI for all matters arising prior to such transfer, and, as a condition to the release of the transferor on and after the transfer date, the transferee must assume the obligations of the Borrower under this Agreement and the other Borrower Documents on and after the transfer date. Each Indemnified Party's rights under this Article VI shall survive the termination of this Agreement, the payment of the Loan and the payment or defeasance of the Bonds.

EVENTS OF DEFAULT AND REMEDIES

Events of Default. The occurrence of any one or more of the following events shall constitute an Event of Default under this Agreement:

The Borrower fails to pay when due any amount payable by the Borrower under this Agreement.

The Borrower fails to observe or perform any covenant or obligation in this Agreement on its part to be observed or performed for a period of 30 days after receipt of written notice from the Trustee specifying such failure and requesting that it be remedied, provided, however, that if the failure cannot be corrected within such period, it shall not constitute an Event of Default if the failure is correctable without material adverse effect on the validity or enforceability of the Bonds or on the exclusion from gross income, for federal income tax purposes, of the interest on the Bonds, and if corrective action is instituted by the Borrower within such period and diligently pursued until the failure is corrected, and provided further that any such failure is cured within 90 days of receipt of notice of such failure.

The Credit Provider provides written notice to the Trustee of an Event of Default under this Agreement by reason of the occurrence of an Event of Default under the Reimbursement Agreement. No Event of Default under the Reimbursement Agreement shall constitute a default under this Agreement unless specifically declared to be so by the Credit Provider. The Credit Provider shall make such declaration by written notice to the Trustee.

Remedies upon an Event of Default. Subject to the Assignment, whenever any Event of Default occurs and is continuing under this Agreement, the Issuer may take one or any combination of the following remedial steps:

by written notice to the Borrower, declare all amounts then due and payable on the Note to be immediately due and payable;

exercise any of the rights and remedies provided in the Loan Documents; and

take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and afterward to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Agreement.

No Levy or Other Execution Against Mortgaged Property. Neither the Issuer nor the Trustee shall have any right to levy, execute or enforce any judgment in respect of the Borrower's obligations under this Agreement, including the Reserved Rights, against the Mortgaged Property or any other property of the Borrower which secures the obligations of the Borrower under the Loan or to the Credit Provider under any of the Credit Facility Documents.

Waiver and Annulment. Unless the Credit Provider otherwise consents in writing, neither the Issuer nor the Trustee may waive or annul any Event of Default under this Agreement unless (i) all amounts which would then be payable under this Agreement by the Borrower if such Event of Default had not occurred and was not continuing are paid by or on behalf of the Borrower, and (ii) the Borrower also performs all other obligations in respect of which it is then in default under this Agreement and pays the reasonable charges and expenses of the Issuer and the Trustee, including reasonable attorneys' fees and expenses paid or incurred in connection with such default. No waiver or annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent on such Event of Default.

No Remedy Exclusive. All rights and remedies provided in this Agreement are cumulative, nonexclusive and in addition to any and all rights and remedies that the Issuer and the Trustee may have or may be given by reason of any law, statute, ordinance or otherwise.

No Waiver. No delay or omission to exercise any right or power accruing upon any Event of Default under this Agreement shall impair any such right or power or shall be construed to be a waiver of such Event of Default, but any such right or power may be exercised from time to time and as often as may be deemed expedient.

No Notices. In order to entitle the Issuer to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be expressly required in this Article or by any Bond Document.

Expenses. In the event the Borrower should default under this Agreement and the Issuer employs attorneys or incurs other expenses for the collection of payments under, or the enforcement of performance or observance of any obligation or agreement

on the part of the Borrower contained in, this Agreement, the Borrower agrees that it will pay, on demand, to the Issuer the reasonable fees of such attorneys and such other expenses so incurred by the Issuer.

MISCELLANEOUS

Notices. All notices, certificates or other communications provided in this Agreement shall be given in writing, and shall be sufficiently given and shall be deemed given if given in the manner provided in Section 13.4 of the Indenture. Copies of each notice, certificate or other communication given under this Agreement by any party shall be given to the other parties. By notice given under this Agreement, any party may designate further or different addresses to which subsequent notices, certificates or other communications are to be sent. A duplicate copy of each notice, certificate, request or other communication given under this Agreement to the Issuer, the Borrower or the Trustee shall also be given to the Credit Provider, the Loan Servicer and prior to the Conversion Date, the Construction Lender.

Amendment. No amendment to this Agreement shall be binding upon the parties to this Agreement until such amendment is reduced to writing and executed by such parties; provided, however, that no amendment, supplement or other modification to this Agreement or any other Bond Document shall be effective without the prior written consent of the Credit Provider, subject to the provisions of Section 8.12.

Entire Agreement. This Agreement is one agreement in a set of agreements, documents and instruments representing an integrated transaction. The agreements, documents and instruments are the Transaction Documents. The Transaction Documents contain all agreements between the parties to the integrated transaction, and there are no other representations, warranties, promises, agreements or understandings, oral, written or implied, among them, unless reference is made in a Transaction Document. Nothing in this Agreement shall relieve the Borrower of its obligations under the Loan Documents and the Credit Facility Documents.

Binding Effect. This Agreement is a continuing obligation and shall (i) be binding upon each of the parties to this Agreement and their successors and assigns and (ii) inure to the benefit of

and be enforceable by such parties and their respective successors, transferees and assigns; provided, however, that the Borrower may not assign all or any part of this Agreement without the prior written consent of the Issuer.

Further Assurances and Corrective Instruments. The parties agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such amendments to this Agreement and to the other Transaction Documents contemplated by this Agreement as reasonably may be required to carry out the intention of, or to facilitate the performance of this Agreement, or to perfect or give further assurances of any of the rights granted or provided for in this Agreement.

Severability. Should one or more of the provisions of this Agreement be held to be invalid, illegal or unenforceable in any jurisdiction, such provision shall be severable from the remainder as to such jurisdiction and the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired in any jurisdiction.

Execution in Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Governing Law. This Agreement shall be construed, and the obligations, rights and remedies of the parties under this Agreement shall be determined, in accordance with the laws of the State without regard to conflicts of laws principles, except to the extent that the laws of the United States of America may prevail.

WAIVER OF JURY TRIAL. THE BORROWER, THE ISSUER AND THE TRUSTEE (A) COVENANT AND AGREE NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING UNDER THIS AGREEMENT TRIABLE BY A JURY AND (B) WAIVE ANY RIGHT TO TRIAL BY JURY TO THE EXTENT THAT ANY SUCH RIGHT NOW EXISTS OR SHALL LATER EXIST. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS SEPARATELY GIVEN, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL BY THE BORROWER, AND THIS WAIVER IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A

JURY TRIAL WOULD OTHERWISE ACCRUE. FURTHER, THE BORROWER CERTIFIES THAT NO REPRESENTATIVE OR AGENT OF THE ISSUER (INCLUDING, BUT NOT LIMITED TO, THE ISSUER'S COUNSEL) HAS REPRESENTED, EXPRESSLY OR OTHERWISE, TO THE BORROWER THAT THE ISSUER WILL NOT SEEK TO ENFORCE THE PROVISIONS OF THIS SECTION.

Limited Liability of the Issuer. All obligations of the Issuer under this Agreement, the Regulatory Agreement and the Indenture shall be limited obligations of the Issuer, payable solely and only from the Trust Estate. No owner or owners of any of the Bonds shall ever have the right to compel any exercise of the taxing power of the State or any political subdivision or other public body for the payment of the Bonds, nor to enforce the payment of the Bonds against any property of the State or any such political subdivision or other public body, including the Issuer except as provided in the Indenture. No member, officer, agent, employee or attorney of the Issuer, including any person executing this Agreement on behalf of the Issuer, shall be liable personally under this Agreement. No recourse shall be had for the payment of the principal of or the interest on the Bonds, for any claim based on or in respect of the Bonds or based on or in respect of this Agreement, against any member, officer, employee, attorney or agent, as such, of the Issuer or any successor whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance of this Agreement and as part of the consideration for the issuance of the Bonds, expressly waived and released.

Term of this Agreement. This Agreement shall be in full force and effect from its date to and including such date as all of the Bonds are fully paid or retired (or provision for such payment shall have been made as provided in the Indenture); provided, however, that Sections 2.5, 2.6 and 5.5 and Articles III and VI shall survive the termination of this Agreement.

References to the Credit Provider. All provisions in this Agreement regarding consents, approvals, directions, waivers, appointments, requests or other actions by the Credit Provider shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if the Credit Provider were not

mentioned (i) if a Wrongful Dishonor has occurred and is continuing, or (ii) from and after the date on which the Credit Facility is declared to be null and void by final judgment of a court of competent jurisdiction; provided, however, that the payment of any amounts due to the Credit Provider pursuant to this Agreement shall continue in full force and effect. The foregoing shall not affect any other rights of the Credit Provider. All provisions in this Agreement relating to the rights of the Credit Provider shall be of no force and effect if the Credit Facility has terminated or expired in accordance with its terms and there are no Pledged Bonds or Bonds in which the Credit Provider has a security interest and all amounts owing to the Credit Provider under the Reimbursement Agreement have been paid.

The remainder of this page is intentionally blank.

The parties to this Agreement have caused this Agreement to be executed by their duly authorized representatives as of the date set forth above.

THE HOUSING AUTHORITY OF THE COUNTY
OF LOS ANGELES

By: _____
Executive Director

CASTAIC SENIOR COMMUNITIES, L.P.,
a California limited partnership

By: SANTA CLARITA VALLEY
COMMITTEE ON AGING
CORPORATION, a California nonprofit
public benefit corporation, its Managing
General Partner

By: _____
Donald L. Kimball
its Vice President and
Executive Board Member

By: _____
Brad Berens
its Executive Director

By: CASTAIC SENIOR COMMUNITIES
LLC, a California limited liability
company, its Co-General Partner

By: COMMUNITY HOUSING
DEVELOPMENT GROUP, INC.,
a California corporation, its
Member

By: _____
Jules Swimmer
its President

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Officer

ARTICLE I

INCORPORATION OF RECITALS, DEFINITIONS AND RULES OF CONSTRUCTION

SECTION 1.1	Incorporation of Recitals.....	1
SECTION 1.2	Definitions.....	1
SECTION 1.3	Rules of Construction	1
SECTION 1.4	Interpretation.....	1

ARTICLE II

THE LOAN

SECTION 2.1	Amount and Source of Loan	1
SECTION 2.2	Note and Security Instrument	2
SECTION 2.3	Costs of Issuance Deposit	2
SECTION 2.4	Credit Facility	2
SECTION 2.5	Payment of Fees, Costs and Expenses	2
SECTION 2.6	Liability for Fees, Costs and Expenses	3
SECTION 2.7	Borrower's Obligations Upon Tender of Bonds	3
SECTION 2.8	Redemption Premium	3
SECTION 2.9	Obligation of the Borrower to Pay Deficiencies	3
SECTION 2.10	Borrower's Approval of Transaction Documents	4

ARTICLE III

NATURE OF BORROWER'S OBLIGATIONS; SECURITY FOR OBLIGATIONS

SECTION 3.1	Obligations of the Borrower Unconditional	4
SECTION 3.2	Nonrecourse Liability	4
SECTION 3.3	Obligations Unsecured.....	5
SECTION 3.4	Certain Obligations Personal to the Borrower	5

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.1	Representations and Warranties of the Issuer	5
SECTION 4.2	Representations and Warranties of the Borrower	6

ARTICLE V
COVENANTS OF THE BORROWER

SECTION 5.1	Compliance With Laws.....	9
SECTION 5.2	Maintenance of Legal Existence.....	9
SECTION 5.3	Access to Mortgaged Property and Records.....	9
SECTION 5.4	Reports and Information	10
SECTION 5.5	Tax Covenants	10
SECTION 5.6	Notice of Certain Events.....	10
SECTION 5.7	Obligation of the Borrower to Construct the Property.....	11

ARTICLE VI
INDEMNIFICATION

SECTION 6.1	Borrower's Obligations.....	11
SECTION 6.2	Defense of Claims.....	13
SECTION 6.3	Borrower's Continuing Obligations.....	13

ARTICLE VII
EVENTS OF DEFAULT AND REMEDIES

SECTION 7.1	Events of Default	13
SECTION 7.2	Remedies upon an Event of Default	14
SECTION 7.3	No Levy or Other Execution Against Mortgaged Property	14
SECTION 7.4	Waiver and Annulment.....	14
SECTION 7.5	No Remedy Exclusive.....	14
SECTION 7.6	No Waiver.....	14
SECTION 7.7	No Notices	14
SECTION 7.8	Expenses	15

ARTICLE VIII
MISCELLANEOUS

SECTION 8.1	Notices	15
SECTION 8.2	Amendment.....	15
SECTION 8.3	Entire Agreement.....	15
SECTION 8.4	Binding Effect.....	15
SECTION 8.5	Further Assurances and Corrective Instruments.....	15
SECTION 8.6	Severability	16
SECTION 8.7	Execution in Counterparts.....	16
SECTION 8.8	Governing Law	16
SECTION 8.9	Waiver of Jury Trial.....	16
SECTION 8.10	Limited Liability of the Issuer	16
SECTION 8.11	Term of this Agreement.....	17

SECTION 8.12	References to the Credit Provider	17
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BOND PURCHASE AGREEMENT

\$9,300,000

The Housing Authority of the County of Los Angeles
Variable Rate Demand Multifamily Housing Revenue Bonds
(Castaic Senior Apartments Project), Series 2003C

(the "Bonds")

June __, 2003

The Housing Authority of the
County of Los Angeles
2 Coral Circle
Monterey Park, CA 91755

Castaic Senior Communities, L.P.
c/o Community Housing Development
Group, Inc.
369 San Miguel Drive, Suite 135
Newport Beach, CA 92660

Ladies and Gentlemen:

Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp., solely in its capacity as purchaser of the Bonds described herein (the "Underwriter"), offers to enter into the following agreement with The Housing Authority of the County of Los Angeles (the "Issuer") and Castaic Senior Communities, L.P., a California limited partnership (the "Borrower"), which, upon acceptance of this offer, will be binding upon the Issuer, the Borrower and the Underwriter. This offer is made subject to the Issuer's and the Borrower's acceptance on or before 10:00 a.m., Pacific time, of the date hereof, and, if not so accepted, will thereafter be subject to withdrawal by the Underwriter upon written notice delivered to the Issuer and the Borrower at any time prior to the acceptance hereof by the Issuer and the Borrower.

Capitalized terms not otherwise defined herein will have the meanings set forth in the Indenture (as hereinafter defined). The Indenture, the Financing Agreement, the Regulatory Agreement, the Assignment and this Bond Purchase Agreement are hereinafter collectively referred to as the "Issuer Documents." The Financing Agreement, the Note, the Regulatory Agreement, the Reimbursement Agreement, the Pledge Agreement, the Assignment, the Loan Documents, the Hedge, the Hedge Assignment, this Bond Purchase Agreement and the Remarketing Agreement are hereinafter collectively referred to as the "Borrower Documents." The Indenture, the Financing Agreement, the Regulatory Agreement, the Pledge Agreement, the Hedge Assignment and the Assignment are hereinafter collectively referred to as the "Trustee Documents."

Section 1. Purchase and Sale of the Bonds. Upon the terms and conditions and upon the basis of the representations and covenants herein set forth, the Underwriter hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell to the Underwriter, all but not less than all of the above captioned bonds (the "Bonds") at a purchase price equal to 100% of the principal amount thereof. The Bonds will be issued initially in the Weekly Variable Rate Mode, bearing interest at the Weekly Variable Rate determined by the Remarketing Agent. The Borrower agrees to pay or cause to be paid to the Underwriter on the Closing Date an amount equal to \$_____ as an underwriter's fee in connection with the Bonds, from which the Underwriter will pay certain fees and expenses.

The Bonds will be as described in, and will be issued pursuant to, the Trust Indenture (the "Indenture"), dated as of June 1, 2003, between the Issuer and U.S. Bank National Association, as trustee (the "Trustee"), and a resolution adopted on June 3, 2003 by the Issuer (the

“Resolution”). The Bonds will be issued in accordance with and pursuant to the authority of the Act. The proceeds of the Bonds will be used by the Issuer to make a mortgage loan (the “Loan”) to the Borrower, the proceeds of which will be applied as described in the Indenture. The Loan will be evidenced by the Note, which Note will be secured by the Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated as of June 1, 2003 (the “Security Instrument”), together with all riders and exhibits, executed by the Borrower with respect to the Project. The Issuer, the Trustee and the Borrower will enter into the Financing Agreement to further evidence the obligation to repay the Loan and will enter into the Regulatory Agreement regarding the operation of the Project. Fannie Mae (“Fannie Mae”) will issue its Credit Facility to the Trustee with respect to the Bonds. Pursuant to the Credit Facility, Fannie Mae will, subject to the terms and conditions of the Credit Facility, provide credit enhancement and liquidity support for the Bonds.

The Borrower will deliver to the Underwriter an executed copy of the final Official Statement in sufficient time to accompany any customer confirmation, but in any event not later than the earlier of (a) seven business days from the date of this Bond Purchase Agreement or (b) the Closing Date (as defined in Section 6 hereof). Such Official Statement, together with all the information incorporated by reference therein and the appendices thereto, and with only such changes as are approved by the Issuer, the Borrower and the Underwriter, and as amended and supplemented, is hereinafter called the “Official Statement.” Pursuant to the Resolution, the Issuer has acknowledged the distribution by the Underwriter of the Preliminary Official Statement, if any, and the Official Statement.

Section 2. Representations, Covenants and Agreements of the Issuer. The Issuer represents, covenants and agrees with the Underwriter and the Borrower that:

(a) The Issuer is, and will be on the Closing Date, a public body corporate and politic, organized and existing under the laws of the State of California (the “State”), with full legal right, power and authority under the Act to issue, sell and deliver the Bonds pursuant to the Resolution and this Bond Purchase Agreement, to enter into the Issuer Documents, to adopt the Resolution and to carry out and perform its obligations under the Issuer Documents and the Resolution.

(b) The Resolution of the Issuer providing final approval of the sale, execution and delivery of the Bonds and the execution and delivery of the Issuer Documents and the issuance and sale of the Bonds, has been duly adopted by the Issuer, has not been amended, modified or repealed and is in full force and effect on the date hereof.

(c) To the best of its knowledge, without investigation, the Issuer is not in breach of or default under any applicable law or administrative regulation of the State of California or of the United States, or any applicable judgment or decree or any loan agreement, indenture, note, resolution, agreement or other instrument to which the Issuer is a party or is otherwise subject, which would impair in any material respect the performance of its obligations under the Issuer Documents.

(d) The execution and delivery by the Issuer of the Bonds and the Issuer Documents, compliance by it with the provisions of each thereof and, to the best of its knowledge, without investigation, the consummation by it of the transactions on its part contemplated thereby will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, note, resolution, agreement or other instrument to which the Issuer is a party or is otherwise subject, which conflict, breach or default has or may have a material adverse effect on the Issuer’s ability to perform its obligations under such documents.

(e) To the best of its knowledge, all approvals, consents and orders of any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to the performance by the Issuer of its obligations hereunder and under the Bonds and the Issuer Documents have been obtained.

(f) To the best of its knowledge, there is no threatened action, suit, proceeding, inquiry or investigation against the Issuer, at law or in equity, by or before any court, public board or body, nor is there any basis therefor, affecting the existence of the Issuer or the titles of its officials to their respective offices, or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the pledge of revenues or assets pledged or to be pledged pursuant to the Indenture to pay the principal of and interest on the Bonds, or in any way materially adversely affecting or questioning (i) the territorial jurisdiction of the Issuer, (ii) the use of the Official Statement or the use of the proceeds of the Bonds to make the Loan, (iii) the validity or enforceability of the Bonds, any proceedings of the Issuer taken with respect to the Bonds or any of the Issuer Documents, (iv) the exclusion of the interest on the Bonds from gross income for purposes of federal income taxation or the accuracy or completeness of the Official Statement with regard to the Issuer, (v) the execution and delivery by the Issuer of the Issuer Documents or the Bonds or (vi) the power of the Issuer to carry out the transactions on its part contemplated by the Bonds, the Official Statement or any of the Issuer Documents.

(g) The Bonds, when delivered in accordance with the Indenture and paid for by the Underwriter on the Closing Date, will be valid and binding limited obligations of the Issuer payable solely from the revenues and other property pledged and assigned for such payment as provided in the Indenture.

(h) Any certificate signed by any authorized official of the Issuer and delivered to the Underwriter shall be deemed to be a representation and warranty by the Issuer to the Underwriter as to the statements made therein.

(i) Neither the Issuer nor anyone acting with its authorization on its behalf (other than the Underwriter) has, directly or indirectly, offered for sale or solicited any offer to acquire the Bonds or any security the offering of which would be deemed for purposes of the Securities Act of 1933, as amended, to be part of the offering of the Bonds contemplated hereby.

(j) The Issuer agrees to cooperate with the Underwriter and its counsel in an endeavor to qualify the Bonds for offering and sale under the securities or "Blue Sky" laws of such jurisdictions of the United States as it may request, but the Issuer will not be required to qualify to transact business or consent to the service of process in any such jurisdictions other than the State of California.

(k) All meetings of the governing body of the Issuer at which action was taken in connection with the Issuer Documents and the Bonds were duly and legally called and held, open to the public at all times, and notice of the time and place of each such meeting was given as required by law.

(l) The Issuer shall not knowingly take or omit to take, as is appropriate, any action, the taking or omission of which would adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation.

(m) The Issuer shall, at the expense of the Borrower, furnish or cause to be furnished to the Underwriter, in such quantities as shall be requested by the Underwriter, copies of the Official Statement and all amendments and supplements thereto, in each case as soon as available.

(n) The Issuer shall furnish such information, execute such instruments and take such other action consistent with law as may be required, and shall otherwise cooperate with the Underwriter in taking all action necessary, to qualify the Bonds for offer and sale and to determine the eligibility for investment in the Bonds under the laws of such jurisdictions as the Underwriter designates and the continuation of such qualification in effect so long as required for distribution of the Bonds; provided, however, that the foregoing will not require the Issuer to consent to service of process in any foreign jurisdiction or to register as a broker-dealer or qualify as a foreign corporation in any foreign jurisdiction.

The execution and delivery of this Bond Purchase Agreement by the Issuer will constitute a representation to the Underwriter and the Borrower that the representations and covenants contained in this Section 2 are true as of the date hereof.

Section 3. Representations, Covenants and Agreements of the Borrower. The Borrower represents, covenants and agrees with the Underwriter and the Issuer that:

(a) The Borrower has full legal right, power and authority to own its properties and is duly authorized to conduct its business as described in the Official Statement, and the Borrower is duly qualified to do such business and is in good standing wherever such qualification and/or standing are required, including the State, except where the failure to so qualify would have no material adverse effect on the Borrower's ability to perform its obligations under the Borrower Documents.

(b) The Borrower has, as of the date of the Closing, full legal right, power and authority to enter into the Borrower Documents and to carry out and perform its obligations under the Borrower Documents, and the Borrower has duly authorized the consummation by it of all transactions contemplated hereby and by the Borrower Documents.

(c) The Borrower Documents have been duly authorized, executed and delivered by the Borrower and (assuming due authorization, execution and delivery by the other parties thereto) constitute valid and binding obligations of the Borrower in all material respects, subject to equitable principles (regardless of whether enforcement is considered legal or equitable), bankruptcy, insolvency and similar laws affecting creditors' rights generally and applicable securities laws and public policy limiting the right to indemnification and contribution.

(d) Neither the execution and delivery of the Borrower Documents by the Borrower nor compliance with the provisions hereof and thereof by the Borrower conflicts in any material respect with or will result in a breach of or default under its respective organizational documents or under any indenture, mortgage, commitment, note or other agreement or instrument to which the Borrower is a party or by which it is bound or, to the Borrower's actual knowledge, any existing law, rule, regulation or ordinance or judgment, order or decree of any court or governmental agency or body having jurisdiction over the Borrower or any of its activities or properties except any such law, rule, regulation or ordinance dealing with federal or state securities or Blue Sky laws in connection with the purchase and distribution of the Bonds by the Underwriter and except where such breach or default would not have an adverse effect on the Borrower's ability to perform its obligations under the Borrower Documents.

(e) To the Borrower's actual knowledge, all consents, approvals, authorizations and orders of, or filings or registrations with, any governmental authority, board, agency or commission of any state or of the United States required on the part of the Borrower in connection with the execution and delivery by the Borrower of the Borrower Documents or the performance by the Borrower of its obligations thereunder have been obtained or made and are in full force and effect or will be obtained or made and in full force and effect on or prior to the Closing Date, except to the extent that the absence thereof would not adversely affect the ability of the Borrower to perform its obligations under the Borrower Documents, and except that no representation or covenant is made or given with respect to any law, rule, regulation or

ordinance dealing with federal or state securities or Blue Sky laws in connection with the purchase and distribution of the Bonds by the Underwriter.

(f) Except as is described in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the Borrower's knowledge, threatened against or affecting the Borrower or the general partners of the Borrower (i) attempting to limit, enjoin or otherwise restrict or prevent the Borrower from functioning or contesting or questioning the existence of the Borrower or (ii) wherein an unfavorable decision, ruling or finding would materially adversely affect (A) the ability of the Borrower to perform its obligations under the Borrower Documents, or (B) the validity or enforceability of the Borrower Documents or any agreement or instrument to which the Borrower is a party and which is used or contemplated for use in the consummation of the transactions contemplated by the Borrower Documents or the Official Statement, or (iii) challenging or questioning the exclusion of the interest on the Bonds from the gross income of the recipients thereof pursuant to the Code.

(g) Any certificate signed by the Borrower or any Authorized Borrower Representative and delivered by the Borrower to the Underwriter or the Issuer pursuant to the Indenture or the Borrower Documents will be deemed a representation by the Borrower to the Underwriter and the Issuer as to the statements made therein.

(h) The Borrower will not knowingly take or omit to take any action within its control, which action or omission will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds under the Code.

(i) The Borrower shall pay or cause to be paid, solely and exclusively from proceeds of the Bonds or equity funds of the Borrower, the costs of issuing the Bonds, including, but not limited to, the costs to effect the authorization, preparation, issuance, sale and delivery of the Bonds (whether or not such transaction is consummated, except under the circumstances described below), including the preparation, printing, execution and delivery of the Official Statement (together with any amendments thereof and supplements thereto), the Issuer Documents, the Borrower Documents and the Trustee Documents, any rating agency fees, the fees and expenses of Bond Counsel and counsel and financial advisor to the Issuer, the fees of the California Debt Limit Allocation Committee, the expenses incurred in connection with any related public hearing notices, the expenses incurred in qualifying the Bonds for sale under the securities laws of various jurisdictions and of preparing "blue sky" and legal investment memoranda. In no event shall any of such costs be paid by the Issuer. The Borrower shall pay its own fees and expenses, including the fees and expenses of its counsel.

The execution and delivery of this Bond Purchase Agreement by the Borrower will constitute a representation to the Underwriter that the representations and covenants contained in this Section 3 are true as of the date hereof. The foregoing representations and covenants of the Borrower will survive the making of this Bond Purchase Agreement and the execution and delivery of the Bonds and the instruments and documents contemplated thereby.

Section 4. Indemnification of Underwriter and Related Parties.

(j) The Borrower agrees to pay, defend, protect, indemnify, save and hold harmless the Issuer, the Underwriter and each member, officer, director, official and employee of the Issuer and the Underwriter and each person, if any, who controls any of the foregoing within the meaning of Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended (collectively referred to herein as the "Indemnified Parties"), against any and all liabilities, losses, damages, costs, expenses (including reasonable attorneys' fees), causes of action (whether in

contract, tort or otherwise), suits, claims, demands and judgments of any kind, character and nature (collectively referred to herein as the “Liabilities”) caused by or directly or indirectly arising from or in any way relating to (i) the Bonds, the Project, the loan of the proceeds of the Bonds, the Financing Agreement, the Indenture, this Bond Purchase Agreement or any document related to the Bonds, the Project, the loan of the proceeds of the Bonds (the “Transaction Documents”) or any transaction or agreement, written or oral, pertaining to the foregoing or (ii) any untrue or misleading statement or alleged untrue or alleged misleading statement of a material fact relating to the Borrower or the Project contained in the Official Statement or caused by any omission or alleged omission from the Official Statement of any material fact relating to the Borrower or the Project necessary to be stated therein in order to make the statements made therein, in light of the circumstances under which they were made, not misleading; provided, however, that the Borrower shall not be required to indemnify, save or hold harmless the Issuer for losses caused by the willful misconduct of the Issuer or the Underwriter for losses caused by the negligence or the willful misconduct of the Underwriter.

(k) The Borrower also agrees to pay, defend, protect, indemnify, save and hold harmless the Underwriter and each member, officer, director, official and employee of the Underwriter from and against the Liabilities directly or indirectly arising from or relating to (i) any errors, omissions, fraud or misrepresentations, of any nature whatsoever, of the Borrower contained in the proceedings of the Issuer.

(l) Any Indemnified Party shall notify the Borrower of the existence of any Liability to which this indemnification obligation would apply and shall give to the Borrower an opportunity to defend the same at the Borrower’s expense and with counsel selected by the Borrower that is satisfactory to the Indemnified Party, provided that the Indemnified Party shall at all times also have the right to fully participate in the defense. If there may be legal defenses available to the Indemnified Party which are different from or in addition to those available to the Borrower or if the Borrower shall, after this notice and within a period of time necessary to preserve any and all defenses to any claim asserted, fail to assume the defense or to employ counsel for that purpose satisfactory to the Indemnified Party, the Indemnified Party shall have the right, but not the obligation, to undertake the defense of, and, with the approval of the Borrower, which approval shall not be unreasonably withheld or delayed, to compromise or settle the claim or other matter on behalf of, for the account of, and at the risk of, the Borrower. It shall be reasonable for the Borrower to disapprove any proposed compromise or settlement if it would adversely affect the Borrower’s prosecution of a related case or its assertion of a defense in a related case.

(m) In order to provide for just and equitable contribution in circumstances in which the indemnity provided for in paragraph (a) or (b) of this Section 5 is for any reason held to be unavailable, the Borrower and the Indemnified Party shall contribute proportionately to the aggregate Liabilities to which the Borrower and the Indemnified Party may be subject, so that the Indemnified Party is responsible for that portion represented by the percentage that the fees paid by the Borrower to the Indemnified Party in connection with the issuance and administration of the Bonds bear to the aggregate offering price of the Bonds, with the Borrower responsible for the balance; provided, however, that in no case shall the Indemnified Party be responsible for any amount in excess of the fees paid by the Borrower to the Indemnified Party in connection with the issuance and administration of the Bonds.

(n) The Indemnified Parties, other than the Issuer and the Underwriter, shall be considered to be third party beneficiaries of this Bond Purchase Agreement for purposes of this Section 4. The provisions of this Section 4 will be in addition to all liability which the Borrower may otherwise have and shall survive any termination of this Bond Purchase Agreement, the offering and sale of the Bonds and the payment or provisions for payment of the Bonds.

(o) The indemnification hereunder shall be in addition to, and shall not limit, any indemnity granted by the Borrower pursuant to the Financing Agreement or any other document.

Section 5. Disclosure Matters.

(p) The Issuer has delivered or will deliver to the Underwriter, at the expense of the Borrower, in such quantities as the Underwriter has requested or may hereafter reasonably request, copies of the Official Statement (including all documents incorporated by reference therein or attached as appendices thereto) and any amendment or supplement thereto. As set forth in Section 9 hereof, the Borrower will be responsible for the costs associated with printing and mailing the Official Statement.

(q) The Borrower hereby represents that the information in the Official Statement under “APPENDIX H—THE BORROWER AND THE PROJECT” and under the captions “ESTIMATED SOURCES AND USES OF FUNDS” and “NO LITIGATION” (but only as to information under “NO LITIGATION” as it relates to the Borrower and the Project), and the Issuer hereby represents that the information in the Official Statement under the captions “THE ISSUER” and “NO LITIGATION” (but only as to information under “NO LITIGATION” as it relates to the Issuer) is true and accurate in all material respects and does not contain any untrue statement of a material fact and does not omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

(r) The Issuer will, at the expense of the Borrower, supply sufficient quantities of the Official Statement to enable the Underwriter (i) to send a single copy of the Official Statement to any potential customer upon request until the earlier of (A) 90 days from the End of the Underwriting Period (as defined below) or (B) the time when the Official Statement is available to any person from a nationally recognized municipal securities information repository, but in no case less than 25 days following the End of the Underwriting Period, and (ii) to comply with any applicable rules of the Municipal Securities Rulemaking Board. The Underwriter agrees to promptly file the Official Statement with a nationally recognized municipal securities information repository. The “End of the Underwriting Period” means the later of the delivery of the Bonds by the Issuer to the Underwriter or when the Underwriter no longer retains (directly or as a syndicate member) an unsold balance of the Bonds for sale to the public, provided that the “End of the Underwriting Period” will be deemed to be the Closing Date unless the Underwriter otherwise notifies the Issuer and the Borrower in writing prior to such date that there is an unsold balance of the Bonds.

(s) During the period commencing on the date hereof and ending on the earlier of (i) 90 days from the End of the Underwriting Period or (ii) the time when the Official Statement is available to any person from a nationally recognized municipal securities information repository, but in no case less than 25 days following the End of the Underwriting Period, if the Borrower becomes aware of any event which makes it necessary to supplement the Official Statement in order to make the statements therein, in the light of the circumstances existing at such time, not misleading, the Borrower will forthwith notify the Underwriter of such event of, and if, in the reasonable commercial judgment of the Underwriter, an amendment or supplement is necessary, the Official Statement will be amended or supplemented so that the statements therein as so amended or supplemented will not be misleading in the light of the circumstances existing at such time. All reasonable out of pocket expenses incurred in connection with any such supplement or amendment will be paid by the Borrower.

Section 6. Closing. At 10:00 a.m., Pacific time, on June __, 2003, or at such time on such other date as is agreed upon in writing by the Issuer, the Borrower and the Underwriter, the Issuer will direct the Trustee to deliver the Bonds to the Underwriter via the facilities of The Depository Trust Company, New York, New York, in definitive form, duly executed by the Issuer and authenticated by the Trustee. Subject to the terms and conditions hereof, the Issuer and the Borrower shall deliver or cause to be delivered at the offices of Orrick, Herrington & Sutcliffe LLP, (“Bond Counsel”), the other documents and instruments to be delivered pursuant to this

Bond Purchase Agreement (the “Closing Documents”) and the Underwriter shall accept delivery of the Bonds and the Closing Documents and pay the purchase price for the Bonds as set forth in Section 1 above by wire transfer, to the Trustee, in immediately available federal funds, for the account of the Issuer. These deliveries and payments are herein called the “Closing” and the date on which the Closing occurs is herein called the “Closing Date.”

It shall be a condition (i) to the obligations of the Issuer to sell and deliver the Bonds to the Underwriter and (ii) to the obligations of the Underwriter with respect to the Bonds to purchase and accept delivery of and to pay for the Bonds that the entire original principal amount of Bonds to be sold and delivered by the Issuer in accordance with Section 1 hereof shall be sold and delivered simultaneously by the Issuer and purchased, accepted and paid for contemporaneously by the Underwriter.

Section 7. Closing Conditions. The Underwriter has entered into this Bond Purchase Agreement in reliance upon representations, covenants and agreements of the Issuer and the Borrower contained herein, in reliance upon the representations, covenants and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Issuer and the Borrower of their obligations hereunder, both as of the date hereof and as of the Closing Date. Accordingly, the Underwriter’s obligations under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds will be subject to the performance by the Issuer and the Borrower of their obligations to be performed by them hereunder at or prior to the Closing, and to the accuracy in all material respects of the representations and covenants of the Issuer and of the Borrower contained herein as of the date hereof and as of the Closing as if made on the Closing Date, and will also be subject to the following additional conditions:

(t) At the time of the Closing, (i) the Resolution shall be in full force and effect, (ii) the Issuer Documents shall have been duly authorized, executed and delivered, (iii) all official action of the Issuer relating thereto shall be in full force and effect and shall not have been amended, modified or supplemented, except as may have been approved by the Underwriter and the Borrower, and (iv) there shall have been taken in connection therewith and in connection with the issuance of the Bonds all such actions as are necessary in connection with the transactions contemplated hereby.

(u) The representations and warranties of the Borrower in the Borrower Documents and of the Issuer in the Issuer Documents and, in each case, herein shall be true and correct in all material respects on the Closing Date, and the Issuer (with respect to the Issuer Documents) and the Borrower (with respect to the Borrower Documents) shall deliver a certificate to such effect. The Official Statement (as the same may be amended or supplemented with the written approval of the Underwriter) on the date thereof and on the Closing Date shall be true and correct in all material respects and shall not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

(v) At or prior to the Closing, the Underwriter and the Borrower must receive the following documents (or copies thereof, as appropriate):

(i) an approving opinion of Bond Counsel addressed to the Issuer, dated the Closing Date, in substantially the form of the opinion set forth in Appendix A to the Official Statement, and a letter of such counsel dated the Closing Date and addressed to the effect that such approving opinion may be relied on by the Underwriter to the same extent as if such opinion were addressed to the Underwriter;

(ii) opinions and/or reliance letters, dated the Closing Date and addressed to the Underwriter and to such other parties as may be appropriate, of:

(A) Bond Counsel, substantially in the form attached hereto as Appendix A;

(B) Counsel to the Issuer, substantially in the form attached hereto as Appendix B;

(C) Pillsbury Winthrop LLP, Counsel to the Borrower substantially in the form attached hereto as Appendix C;

(D) Counsel to the Trustee, substantially in the form attached hereto as Appendix D;

(E) Fannie Mae's Office of General Counsel, substantially in the form attached hereto as Appendix E;

(F) O'Melveny & Myers LLP, substantially in the form attached hereto as Appendix F; and

(G) Counsel to the Underwriter, substantially in the form attached hereto as Appendix G;

(iii) the Underwriter shall have received a certificate, dated the Closing Date and signed on behalf of the Issuer, to the effect that;

(A) Except as disclosed in the Official Statement, the Issuer has not received notice of any pending, nor to the Issuer's knowledge is there any threatened, action, suit, proceeding, inquiry or investigation against the Issuer, at law or in equity, by or before any court, public board or body, nor to the Issuer's knowledge is there any basis therefor, affecting the existence of the Issuer or the titles of its officials to their respective offices, or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the pledge of revenues or assets of the Issuer pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way adversely affecting or questioning (A) the territorial jurisdiction of the Issuer, (B) the use of the Official Statement, (C) the validity or enforceability of the Bonds, any proceedings of the Issuer taken with respect to the Bonds or any of the Issuer Documents, (D) the tax-exempt status of the interest on the Bonds, (E) the accuracy or completeness of the Official Statement, (F) the execution and delivery by the Issuer of this Bond Purchase Contract or the Bonds, or (G) the power of the Issuer to carry out the transactions on its part contemplated by the Bonds, the Official Statement or any of the Issuer Documents;

(B) the sections of the Official Statement under the headings "THE ISSUER" and "NO LITIGATION" (but only as to information under "NO LITIGATION" as it relates to the Issuer) are true and accurate in all material respects and, as of the Closing Date, does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading;

(C) the Issuer has complied with all the covenants and satisfied all the conditions on its part to be performed or satisfied at or prior to the Closing Date, and the

representations and warranties of the Issuer contained herein and in each of the Issuer Documents are true and correct as of the Closing Date in all material respects;

(iv) a certificate of the Issuer as to arbitrage and other applicable federal tax matters in form and substance acceptable to Bond Counsel and the Underwriter;

(v) a certificate of the Borrower, dated the Closing Date, that (A) each of the representations set forth in the Borrower Documents (including this Bond Purchase Agreement) is true and correct in all material respects on the Closing Date with the same effect as if made on the Closing Date, (B) the information in the Official Statement under “APPENDIX H—THE BORROWER AND THE PROJECT” and under the captions “ESTIMATED SOURCES AND USES OF FUNDS” and “NO LITIGATION” (but only as to information under “NO LITIGATION” as it relates to the Borrower and the Project), is true and correct in all material respects and, as of the Closing Date, does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading, and (C) the Borrower has complied with all agreements on its part to be performed under the Borrower Documents at or prior to the Closing Date;

(vi) a closing certificate of an authorized officer of Fannie Mae, dated the Closing Date, in the form set forth as Appendix H;

(vii) counterpart originals or certified copies of each of the Issuer Documents, the Borrower Documents, the Trustee Documents and the Credit Facility;

(viii) written evidence satisfactory to the Underwriter that Standard & Poor’s Credit Market Services, a Division of The McGraw Hill Companies, Inc. has issued ratings of “[AAA/A-1+]” for the Bonds, and such ratings are in effect on the Closing Date;

(ix) such agreements, certificates and opinions as reasonably requested by the Underwriter to evidence the closing of the Loan;

(x) evidence satisfactory to the Underwriter that the Home Loan (as defined in the Official Statement) is in place and there are no defaults thereunder; and;

(xi) such additional legal opinions, certificates (including any certificates reasonably requested by Bond Counsel to enable it to render its opinion as to the exclusion of the interest on the Bonds from gross income for federal income tax purposes), instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the Closing Date, of the Issuer’s and the Borrower’s representations herein and the due performance or satisfaction by the Issuer or the Borrower, as the case may be, at or prior to such date of all agreements then to be performed, and all conditions then to be satisfied by the Issuer or the Borrower, as the case may be.

If the obligations of the Underwriter are terminated for any reason permitted by this Bond Purchase Agreement, none of the Underwriter, the Issuer or the Borrower will be under further obligation hereunder except for the continuing obligation of the Underwriter to pay certain expenses as hereinafter provided.

Section 8. Termination. The Underwriter may terminate this Bond Purchase Agreement by written notification to the Issuer and the Borrower if at any time subsequent to the date hereof and at or prior to the Closing:

(i) (A) legislation is enacted by the Congress of the United States or is adopted by the Senate or House of Representatives of the United States, or (B) a final, nonappealable decision is rendered by a court of the United States or the Tax Court of the United States, or (C) a ruling, regulation or official action is rendered by or on behalf of the United States, or (D) a ruling, regulation or other similar official action is issued by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or another governmental agency of the United States which in the opinion of counsel for the Underwriter, would have (or proposes action the effect of which would have) the effect of making such interest includable in gross income for federal income tax purposes; or

(ii) any event occurs or exists which, in the reasonable judgment of the Underwriter, either makes untrue or incorrect in any material respect any statement or information contained in the Official Statement, or is not reflected in the Official Statement, but should be reflected therein for the purpose of making the statements contained therein, in the light of the circumstances under which they were made, not misleading, but only to the extent such misstatement or omission cannot be corrected prior to Closing; or

(iii) legislation is enacted, or a decision by a court of the United States shall be rendered, or any action is taken by the Securities and Exchange Commission, which, in the opinion of counsel for the Underwriter, has the effect of requiring the contemplated distribution of the Bonds to be registered under the Securities Act of 1933, as amended, or the Indenture to be qualified as an indenture under the Trust Indenture Act of 1939, as amended; or

(iv) in the judgment of the Underwriter it becomes impracticable to market the Bonds or to enforce commitments for the purchase of Bonds because (A) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange; (B) the New York Stock Exchange or other national securities exchange, or any governmental authority, shall impose, as to the Bonds or similar obligations, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, underwriters; (C) a general banking moratorium shall have been established by federal, New York or Colorado authorities; or a war involving the United States of America shall have been declared, or any other national or international calamity shall have occurred, or any conflict involving the armed forces of the United States of America shall have escalated to such a magnitude as to materially affect the ability of the Underwriter to market the Bonds; or

(v) any litigation shall be instituted, pending or threatened to restrain or enjoin the issuance or sale of the Bonds or the redemption of the Prior Bonds or in any way contesting any authority or security for or the validity of the Bonds, or the existence or powers of the Issuer; or

(vi) legislation shall have been introduced in or enacted by the Legislature of the State that would, in the reasonable judgment of the Underwriter, adversely affect the security for the Bonds; or

(vii) there shall have occurred any change that, in the reasonable judgment of the Underwriter, makes unreasonable or unreliable any of the assumptions upon which (i) yield on the Bonds for purposes of compliance with the Code, (ii) payment of debt service on the Bonds, or (iii) the basis for the exclusion from gross income for federal income tax purposes of interest on the Bonds, is predicated; or

(viii) there shall have occurred any outbreak or material escalation of hostilities or other calamity or crisis, the effect of which on the financial markets of the United States is such as to make it, in the reasonable opinion of the Underwriter, impractical to market the Bonds or to enforce commitments for the purchase of the Bonds; or

(ix) the Issuer shall fail to execute and deliver or to obtain one or more filings, consents, approvals, authorizations, registrations or other action requested by the Underwriter to be obtained or taken by the Issuer and such failure is based upon the Issuer's conclusion that such action is unduly burdensome and the Underwriter shall reasonably conclude that, as a result of the Issuer's failure to so execute and deliver or to obtain what has been requested by the Underwriter, the marketing of the Bonds will be materially adversely affected.

Section 9. Expenses. Except as set forth in the last sentence of this paragraph, the Underwriter shall be under no obligation to pay, and the Borrower hereby agrees to pay, any expenses incident to the performance of the Issuer's obligations hereunder, including, but not limited to, (a) the cost of preparing the definitive Bonds; (b) the fees and disbursements of Bond Counsel in connection with the authorization and issuance of the Bonds; the fees and expenses of Fannie Mae and of Fannie Mae's counsel; the fees and expenses of Issuer's counsel; the fees and expenses of the Trustee and its counsel; and the fees and disbursements of Borrower's Counsel and any other experts or consultants retained by the Issuer; (c) the fees of rating agencies in connection with the rating of the Bonds; (d) the fees and expenses of counsel to the Underwriter; and (e) all other expenses in connection with the public offer and sale of the Bonds. The Issuer shall have no obligation to pay any fees, expenses or costs associated with or resulting from the issuance and delivery of the Bonds. The Underwriter agrees to pay the costs of printing and preparation for printing or other reproduction for distribution and use in connection with the public offering of the Bonds such number of copies as may be requested by the Underwriter of the Indenture, the Resolution, the Official Statement and the blue sky survey, as well as any delivery costs incurred in connection with the distribution of the foregoing documents.

Section 10. Notices. Any notice or other communication to be given to the Issuer or the Borrower under this Bond Purchase Agreement may be given by mailing or sending by facsimile the same to the respective address shown above, and in the case of the Borrower, with a copy of such notice (which such copy shall not constitute notice to the Borrower) to Pillsbury Winthrop LLP, 50 Fremont Street, San Francisco, California, 94105, Attention: Gary P. Downs, Esq., and any such notice or other communication to be given to the Underwriter may be given by mailing the same to Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp., 3452 East Foothill Boulevard, Suite 840, Pasadena, California 91107, Attention: Mr. Kent Davis.

Section 11. Parties in Interest. This Bond Purchase Agreement is made solely for the benefit of the Issuer, the Borrower, the Underwriter and, to the extent set forth in Section 4, the Indemnified Parties, and no other party or person will acquire or have any right hereunder or by virtue hereof.

Section 12. Amendments. This Bond Purchase Agreement may not be amended except by an instrument in writing executed by the Issuer, the Borrower and the Underwriter.

Section 13. Survival of Representations and Covenants. The representations and covenants of the Borrower and the Underwriter will not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing and regardless of (a) any investigations made by or on behalf of any other party hereto (or statements as to the results of such investigations) concerning such representations and covenants and (b) delivery of and payment for the Bonds.

Section 14. Execution in Counterparts. This Bond Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument.

Section 15. No Prior Agreements. This Bond Purchase Agreement supersedes and replaces all prior negotiations, agreements and understandings between the parties hereto in relation to the sale of Bonds.

Section 16. Effective Date. This Bond Purchase Agreement will become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the Issuer and the Borrower and will be valid and enforceable as of the time of such acceptance.

Section 17. Termination of Agreement. If the conditions to the obligations of the Underwriter contained in this Bond Purchase Agreement are not satisfied, or if the obligations of the Underwriter to purchase and accept delivery of the Bonds are terminated for any reason permitted by this Bond Purchase Agreement, then, upon written notice from the Underwriter to the Borrower and the Issuer delivered prior to Closing, this Bond Purchase Agreement will terminate and none of the Underwriter, the Borrower or the Issuer will be under further obligation hereunder, except that the obligations to pay expenses, as provided in Section 9 hereof, will continue in full force and effect. The Underwriter may in its discretion waive any one or more of the conditions imposed by this Bond Purchase Agreement for its protection and proceed with the Closing.

Section 18. Governing Law. This Bond Purchase Agreement will be governed by the laws of the State of California without giving effect to the conflict of law principles of such State.

If the foregoing is in accordance with your understanding of the Bond Purchase Agreement, please sign and return to us the enclosed duplicate copies hereof, whereupon it will become a binding agreement among the Issuer, the Borrower and the Underwriter in accordance with its terms.

**NEWMAN AND ASSOCIATES, A DIVISION
OF GMAC COMMERCIAL HOLDING
CAPITAL MARKETS CORP.**

By: _____

[Vice President]

[Signatures continue on following page]

[Issuer Signature Page to Bond Purchase Agreement]

**THE HOUSING AUTHORITY OF THE
COUNTY OF LOS ANGELES**

By: _____

Executive Director

Approved as to Form:

LLOYD W. PELLMAN
County Counsel

By: _____

Deputy

[Signatures continue on following page]

[Borrower's Signature Page to Bond Purchase Agreement]

CASTAIC SENIOR COMMUNITIES, L.P.,
a California limited partnership

By: SANTA CLARITA VALLEY COMMITTEE ON
AGING CORPORATION,
a California nonprofit public benefit corporation,
its Managing General Partner

By: _____

Donald L. Kimball
its Vice President and
Executive Board Member

By: _____

Brad Berens
its Executive Director

By: CASTAIC SENIOR COMMUNITIES LLC,
a California limited liability company,
its Co-General Partner

By: COMMUNITY HOUSING
DEVELOPMENT GROUP, INC., a
California corporation,
its Member

By: _____

Jules Swimmer
its President

APPENDIX A

[Form of Supplemental Opinion of Bond Counsel]

[CLOSING DATE]

[UNDERWRITER]

[BOND CAPTION]

[After appropriate introductory language, the opinion shall state substantially as follows:]

1. In our opinion, the Bond Purchase Agreement has been duly authorized, executed and delivered by the Issuer and, assuming the due authorization, execution and delivery thereof by the other parties thereto, constitutes a valid and legally binding obligation of the Issuer, and is enforceable against the Issuer in accordance with its terms, except as enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws affecting the rights of creditors generally, by principles of equity, whether considered at law or in equity, and by public policy as expressed in applicable securities laws or otherwise.

(2) In our opinion, the offering, sale and delivery of the Bonds do not require the registration thereof under the Securities Act of 1933, as amended, and do not require the qualification under the Trust Indenture Act of 1939, as amended, of any "Indenture," as defined therein.

3. The statements contained in the Official Statement under the captions "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" (other than under the captions "Credit Facility"), "THE BONDS" (other than under the subcaption "Book-Entry Only" and "Remarketing Agent"), "TAX MATTERS" and Exhibits A, B, C, and E, insofar as such statements expressly summarize certain provisions of the Bonds, the Indenture, the Financing Agreement, the Regulatory Agreement and our Bond Opinion concerning certain federal tax matters relating to the Bonds, fairly represent the information purported to be summarized therein.

Respectfully submitted,

APPENDIX B

[Form of Opinion of Counsel to the Issuer]

[CLOSING DATE]

[TRUSTEE]

[UNDERWRITER]

[FANNIE MAE]

[BOND CAPTION]

[After appropriate introductory language, the opinion shall state substantially as follows:]

(1) The Issuer is a public body corporate and politic organized and existing under the laws of the State of California.

(2) The Resolution was duly adopted at a meeting of the governing board of the Issuer, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout. The Resolution is in full force and effect and has not been amended, modified or superseded.

Very truly yours,

APPENDIX C

[Form Opinion of Borrower's Counsel]

[CLOSING DATE]

[ISSUER]

[UNDERWRITER]

[TRUSTEE]

[FANNIE MAE]

[BOND CAPTION]

[After appropriate introductory language, the opinion shall state substantially as follows:]

(1) The Borrower is qualified to do business and in good standing wherever such qualification and/or standing are required, including the State of California.

(2) The Borrower has full legal right, power and authority (a) to own its properties and conduct its business as described in the Official Statement and (b) to enter into and to carry out and consummate the transactions contemplated by the Financing Agreement, the Regulatory Agreement, the Tax Agreement, the Loan Documents, the Reimbursement Agreement, the Regulatory Agreement, the Note, the Remarketing Agreement and the Bond Purchase Agreement (collectively, the "Borrower Documents").

(3) By all necessary action, the Borrower has duly authorized and adopted the Borrower Documents, and approved the execution and delivery of, and the performance by the Borrower of the obligations in connection with the issuance of the Bonds on its part contained in the Bonds and the Borrower Documents and the consummation by it of all other transactions contemplated by the Indenture and the Borrower Documents in connection with the issuance of the Bonds.

(4) The Borrower Documents have been duly executed and delivered by the Borrower and, assuming the due authorization, execution and delivery of such agreements by the respective other parties thereto where necessary, if any, constitute legal, valid and binding obligations of the Borrower enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws of general applicability affecting the enforcement of creditors' rights and to general principles of equity, regardless of whether such enforceability is considered in equity or in law.

(5) To the best of our knowledge after due and diligent inquiry, as of the Closing Date, the Borrower is not in any material respect in violation of, breach of or default under any applicable constitutional provision or law of any state or of the United States, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Borrower or any of its activities, properties or assets, or any indenture, mortgage, deed of trust, resolution, note agreement (including, without limitation, the Borrower Documents) or other agreement or instrument to which the Borrower is a party or by which the Borrower or any of its property or assets is bound, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instruments; and the execution and delivery of the Bonds and the Borrower Documents, and compliance with the provisions on the Borrower's part contained therein, do not and will not conflict with, or constitute on the part of the Borrower a violation of,

breach of or default under, any applicable constitutional provision or law of any state or of the United States, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Borrower or any of its activities, properties or assets, or any indenture, mortgage, deed of trust, resolution, note agreement or other agreement or instrument to which the Borrower is a party or by which the Borrower or any of its property or assets is bound, nor will any such execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower or under the terms of any such law, regulation or instrument, except as provided by the Bonds or the Borrower Documents;

(6) To the best of our knowledge after due and diligent inquiry, as of the Closing Date, all consents, approvals, authorizations, and orders of or filings or registrations with any governmental authority, board, agency or commission of any state or of the United States having jurisdiction required in connection with, or the absence of which would materially adversely affect, the execution and delivery by the Borrower of the Borrower Documents or the performance by the Borrower of its obligations thereunder have been obtained or made and are in full force and effect.

(7) To the best of our knowledge after due and diligent inquiry, as of the Closing Date, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any judicial or administrative court or governmental agency or body, state, federal or other, pending or, to the best of our knowledge, threatened against the Borrower, affecting the existence of the Borrower or the titles of its officers to their respective offices, or contesting or affecting as to the Borrower the validity or enforceability of the Act, the Bonds, any Borrower Document or the execution and delivery or adoption by the Borrower of any Borrower Document, or in any way contesting or challenging the completeness or accuracy of the Official Statement or the powers of the Borrower or its authority with respect to the Borrower Documents or the consummation of the transactions contemplated thereby; nor, to the best of our knowledge, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the financial condition or operations of the Borrower or the validity of the authorization, execution, delivery or performance by the Borrower of any Borrower Document.

(8) The Official Statement does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements under “APPENDIX H—THE BORROWER AND THE PROJECT” and under the captions “ESTIMATED SOURCES AND USES OF FUNDS” and “NO LITIGATION” (but only as to information under “NO LITIGATION” as it relates to the Borrower and the Project), in the light of the circumstances under which they were made, not misleading.

APPENDIX D

[Form of Opinion of Counsel to the Trustee]

[CLOSING DATE]

[ISSUER]

[UNDERWRITER]

[TRUSTEE]

[FANNIE MAE]

[BOND CAPTION]

[After appropriate introductory language, the opinion shall state substantially as follows:]

(1) The Trustee is a national banking association, duly organized and existing under the laws of the United States of America with trust powers.

(2) The Trustee has all requisite corporate and trust power, authority and legal right and has taken all necessary corporate action to: (i) execute and deliver the Indenture and to accept the trusts created under the Indenture and to perform its obligations thereunder, (ii) execute and deliver in its capacity as Trustee the Financing Agreement, the Assignment and the Regulatory Agreement, as such documents are defined in the Indenture, and the Hedge Assignment dated as of June 1, 2003 between the Trustee, Fannie Mae and [BORROWER] (such documents, collectively, with the Indenture, the "Trustee Documents") and perform the duties and obligations of the Trustee thereunder, and (iii) execute and deliver in its capacity as Custodian the Pledge Agreement and perform the duties and obligations of the Custodian thereunder (the Trustee Documents and the Pledge Agreement, collectively referred to herein as the "Documents").

(3) The Trustee has duly authorized, executed and delivered the Documents. Assuming the due authorization, execution and delivery thereof by the other parties thereto, the Documents are the legal, valid and binding agreements of the Trustee, enforceable in accordance with their terms against the Trustee.

(4) No authorization, approval, consent, or other order of any governmental agency or regulatory authority having jurisdiction over the Trustee that has not been obtained is required for the authorization, execution and delivery by the Trustee of the Documents.

(5) There is no litigation pending or, to our knowledge, threatened against the Trustee to restrain the Trustee's participation in, or in any way contesting or affecting the creation, organization or existence of the Trustee or the power of the Trustee with respect to the transactions contemplated by the Documents.

(6) The execution and delivery of the Documents by the Trustee, and compliance with the provisions thereof will not contravene the Articles of Association or Bylaws of the Trustee or any law or regulation governing the banking and trust powers of the Trustee or, to our knowledge, any indenture, mortgage, deed of trust, resolution, note agreement or other agreement or instrument to which the Trustee is a party or by which the Trustee is bound.

This opinion is furnished by me solely for your benefit and may not, without my express written consent, be relied upon by any other person.

Very truly yours,

APPENDIX E

[Form of Opinion of General Counsel of Fannie Mae]

[CLOSING DATE]

[TRUSTEE]

[BOND CAPTION]

Ladies and Gentlemen:

This opinion is furnished to you in connection with the execution and delivery by Fannie Mae (“Fannie Mae”) of its Credit Enhancement Facility (“Credit Facility”) in connection with the issuance of the Bonds.

As Senior Vice President and Deputy General Counsel of Fannie Mae, I am of the opinion that:

(w) Fannie Mae has been duly organized under the Federal National Mortgage Association Charter Act, as amended, 12 U.S.C. § 1716 et seq., and is a corporation duly organized and existing under the laws of the United States;

(x) Fannie Mae has full right, power and authority to execute and deliver the Credit Enhancement Facility; and

(y) the Credit Facility has been duly authorized, executed and delivered by Fannie Mae and constitutes a valid and binding obligation of Fannie Mae, enforceable in accordance with its terms, subject to any applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general applicability relating to or affecting creditors’ rights from time to time in effect as such laws would be applied in the event of a bankruptcy, insolvency, reorganization, moratorium or similar occurrence affecting Fannie Mae and to the exercise of judicial discretion in accordance with general principles of equity, whether applied by a court of law or of equity.

I express no opinion on the perfection or priority of any lien or security interest described in the Credit Facility.

My opinion is rendered only to, and may be relied upon only by, the addressees. My opinion herein is limited to the laws of the District of Columbia and of the United States of America, to the extent they are applicable, and I express no opinion as to the applicability of the laws of any other jurisdiction.

Sincerely,

APPENDIX F

[Form of Opinion of Special Counsel to Fannie Mae]

[CLOSING DATE]

[UNDERWRITER]

[BOND CAPTION]

The copy of the Credit Enhancement Instrument (Direct-Pay) ("Credit Facility") provided to you to be attached as Appendix E to the Official Statement in connection with the issuance of the Bonds is in all material respects a true and correct copy of the Credit Facility executed by Fannie Mae and delivered to U.S. Bank National Association. No material changes have been made to the document prior to Fannie Mae's execution and delivery of the Credit Facility.

Very truly yours,

APPENDIX G

[Form of Opinion of Underwriter's Counsel]

[CLOSING DATE]

[UNDERWRITER]

[BOND CAPTION]

We have acted as Underwriter's Counsel in connection with the issuance of the above captioned bonds (the "Bonds"), issued pursuant to a Trust Indenture dated as of June 1, 2003 (the "Indenture") between The Housing Authority of the County of Los Angeles (the "Issuer") and U.S. Bank National Association, as trustee (the "Trustee"). As such counsel, we have reviewed such records, certificates, opinions and documents as we have deemed necessary or appropriate for the purpose of this opinion. Upon the basis of such examination, we are of the opinion that, under the existing laws, the Bonds may be offered and sold without registration under the Securities Act of 1933, as amended, and the Indenture is not required to be qualified under the Trust Indenture Act of 1939, as amended.

In connection with the preparation of the Official Statement (the "Offering Document") used in connection with the initial issuance and sale of the Bonds on the date hereof, we have reviewed generally information furnished to us by, and have participated in conferences with, representatives of the Issuer; Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel; Fannie Mae; O'Melveny & Myers LLP, Fannie Mae's outside counsel; Castaic Senior Communities, L.P., a California limited partnership (the "Borrower"); Pillsbury Winthrop LLP, San Francisco, California, Borrower's Counsel; the Trustee; and Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp., (the "Underwriter"). We also have reviewed the documents relating to the Bonds described in the Offering Document and other documents and records relating to the issuance and sale of the Bonds. In addition, we have relied upon certificates of officials of the Issuer, Fannie Mae and the Borrower, an opinion of Bond Counsel and a letter from Fannie Mae's outside counsel. However, we have not independently verified any factual matters in connection with or apart from the aforementioned review and conferences and, accordingly, we do not express any view or belief as to matters that might have been disclosed by independent verification.

Although we have made no independent investigation or verification of the accuracy, correctness, fairness or completeness of, and do not assume any responsibility for, the information included in the Offering Document (subject to the qualifications set forth herein), no information came to the attention of the attorneys in our firm rendering legal services in connection with the issuance of the Bonds which causes us to believe that the Offering Document (except for the financial statement, financial, statistical and numerical information, forecasts, estimates, assumptions and expressions of opinion, as to which we express no view), as of its date contained, or as of the date of this opinion contains, any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Respectfully submitted,

APPENDIX H

[Closing Certificate of Fannie Mae]

[BOND CAPTION]

This Certificate of Fannie Mae (“Fannie Mae”) is being executed and delivered on behalf of Fannie Mae by the undersigned, an authorized officer of Fannie Mae in connection with the preparation of the Official Statement for the Bonds described above (the “Official Statement”). The undersigned certifies, on behalf of Fannie Mae, that the attached information regarding Fannie Mae is accurate and may be included in the Official Statement for the bonds described above.

Dated: _____

FANNIE MAE

By: _____

Name: _____

OFFICIAL STATEMENT

NEW ISSUE BOOK ENTRY ONLY

RATINGS: S&P "AAA/A-1+"
(See "RATINGS" herein.)

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representation and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the status of interest on any Bond during any period such Bond is held by a person who is a "substantial user" of the facilities financed by the Bonds or is a "related person" within the meaning of Section 147(a) of the Code. Bond Counsel observes that interest on the Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. Bond Counsel is also of the opinion that interest on the Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" for additional information.

\$9,300,000

The Housing Authority of the County of Los Angeles
Variable Rate Demand Multifamily Housing Revenue Bonds
(Castaic Senior Apartments Project), Series 2003C

Dated: Date of Delivery

Maturity Date: June 15, 2036

The above captioned Series 2003C Bonds (the "Bonds") are being issued by The Housing Authority of the County of Los Angeles (the "Issuer") under a Trust Indenture, dated as of June 1, 2003 (the "Indenture"), between the Issuer and U.S. Bank National Association, as trustee (the "Trustee"), to provide funding for a mortgage loan (a "Loan") to be made by the Issuer to Castaic Senior Communities, L.P., a California limited partnership (the "Borrower"), to finance the acquisition, construction, equipping and permanent financing of a multifamily rental housing project called Castaic Lake Senior Apartments, located in the County of Los Angeles, California (the "Project"). The Loan will be made pursuant to a Financing Agreement, dated as of the date of the Indenture (the "Financing Agreement"), among the Issuer, the Borrower and the Trustee.

The Bonds will be issued as weekly variable rate demand bonds and will bear interest at a Weekly Variable Rate, to be determined on a weekly basis as described herein. Interest on the Bonds will be payable on the fifteenth day of each month, commencing July 15, 2003. Subject to satisfaction of certain conditions in the Indenture, the Bonds may be adjusted to, as permitted by the Indenture, the Reset Rate Mode and the Fixed Rate Mode. If the Bonds are proposed to be adjusted to one of the other Modes, the Bonds will be subject to mandatory tender for purchase. See "THE BONDS—Mandatory Tender and Purchase" herein.

THIS OFFICIAL STATEMENT DESCRIBES THE BONDS ONLY DURING THE INITIAL WEEKLY VARIABLE RATE PERIOD, WHICH IS THE PERIOD BEGINNING ON THE CLOSING DATE AND ENDING ON THE DATE ON WHICH THE INTEREST RATE ON THE BONDS IS ADJUSTED TO A RESET RATE OR TO THE FIXED RATE.

Payment of the principal of and interest on the Bonds will be secured, to the extent described herein, by the Loan and by certain other resources and assets constituting the trust estate under the Indenture, all as described herein. In addition, Fannie Mae has agreed to provide credit enhancement for the Bonds pursuant to and subject to the limitations of a Direct Pay Irrevocable Transferable Credit Enhancement Instrument, dated as of the Closing Date (the "Credit Facility"). The Credit Facility will also provide liquidity support for the purchase of Tendered Bonds.



The Credit Facility may be replaced by an Alternate Credit Facility at the option of the Borrower, which replacement will cause a mandatory tender of the Bonds. The Credit Facility (or an Alternate Credit Facility) will remain in effect at least throughout the initial Weekly Variable Rate Period with respect to the Bonds. See "THE BONDS—Mandatory Tender and Purchase" herein.

The Bonds are issuable only as fully registered bonds, without coupons, in the denomination of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Bonds will be made in book entry only form. DTC will act as securities depository for the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the above registered owners of the Bonds shall mean Cede & Co. and shall not mean the beneficial owners of the Bonds. Purchasers of beneficial interests in the Bonds will not receive physical delivery of Bonds. Payments of principal of, premium, if any, and interest on the Bonds and the payment of the purchase price of tendered Bonds will be made directly to DTC or its nominee, Cede & Co., by the Trustee, so long as DTC is the registered owner of the Bonds. The disbursements of such payments will be made by DTC Participants to the beneficial owners of the Bonds. See "THE BONDS—Book-Entry Only" herein.

So long as the Bonds bear interest at a Weekly Variable Rate, the registered owners of the Bonds will have the right to tender their Bonds for purchase to the Tender Agent, at its Principal Office, on any Business Day upon seven days' written notice. The Bonds are also subject to mandatory tender and purchase as described herein. See "THE BONDS—Optional Tender" and "Mandatory Tender and Purchase" herein. The Bonds are subject to mandatory redemption (including redemption in part upon conversion or in whole if the conditions to conversion are not timely satisfied) and optional redemption prior to maturity as described herein. See "THE BONDS—Redemption Provisions" herein.

THE BONDS AND THE INTEREST THEREON ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM THE TRUST ESTATE, WHICH IS SPECIFICALLY ASSIGNED AND PLEDGED TO SUCH PURPOSES IN THE MANNER AND TO THE EXTENT PROVIDED IN THE INDENTURE. NEITHER THE STATE OF CALIFORNIA, NOR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE ISSUER, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) WILL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM (IF ANY) OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER OF THE ISSUER, AND NONE OF THE BONDS OR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS WILL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE ISSUER, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER.

FANNIE MAE'S OBLIGATIONS WITH RESPECT TO THE BONDS ARE SOLELY AS PROVIDED IN THE CREDIT FACILITY. THE OBLIGATIONS OF FANNIE MAE UNDER THE CREDIT FACILITY WILL BE OBLIGATIONS SOLELY OF FANNIE MAE, A FEDERALLY CHARTERED STOCKHOLDER OWNED CORPORATION, AND WILL NOT BE BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA OR ANY AGENCY OR INSTRUMENTALITY THEREOF OR OF FANNIE MAE. THE BONDS ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.

This cover page contains certain information for quick reference only. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered when, as and if issued and received by the Underwriter subject to the approval of certain legal matters by Orrick, Herrington & Sutcliffe LLP, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for Fannie Mae by its Legal Department and by its special counsel, O'Melveny & Myers LLP, for the Underwriter by Eichner & Norris PLLC, Washington, D.C., and for the Borrower by Pillsbury Winthrop LLP, San Francisco, California. It is expected that the Bonds will be available for delivery through DTC in New York, New York on or about June __, 2003.



a Division of GMAC Commercial Holding Capital Markets Corp.

June __, 2003

No dealer, broker, salesperson or other person has been authorized by the Issuer, the Borrower, Fannie Mae, the Underwriter or the Remarketing Agent to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN OBTAINED FROM THE ISSUER, THE BORROWER, FANNIE MAE, DTC AND OTHER SOURCES THAT ARE BELIEVED TO BE RELIABLE BUT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS BY, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION OF, THE UNDERWRITER, THE REMARKETING AGENT AND THE ISSUER (EXCEPT WITH RESPECT TO THE INFORMATION UNDER THE CAPTIONS “THE ISSUER” AND “NO LITIGATION” (AS IT RELATES TO THE ISSUER) WHICH HAS BEEN PROVIDED BY THE ISSUER), NONE OF WHICH TAKES RESPONSIBILITY FOR ANY OTHER INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT.

FANNIE MAE HAS NOT PROVIDED OR APPROVED ANY INFORMATION IN THIS OFFICIAL STATEMENT EXCEPT WITH RESPECT TO THE DESCRIPTION UNDER THE CAPTION “FANNIE MAE,” TAKES NO RESPONSIBILITY FOR ANY OTHER INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT, AND MAKES NO REPRESENTATION AS TO THE CONTENTS OF THIS OFFICIAL STATEMENT (OTHER THAN WITH RESPECT TO THE INFORMATION UNDER THE CAPTION “FANNIE MAE”). WITHOUT LIMITING THE FOREGOING, FANNIE MAE MAKES NO REPRESENTATION AS TO THE SUITABILITY OF THE BONDS FOR ANY INVESTOR, THE FEASIBILITY OR PERFORMANCE OF THE PROJECT, OR COMPLIANCE WITH ANY SECURITIES, TAX OR OTHER LAWS OR REGULATIONS. FANNIE MAE’S ROLE WITH RESPECT TO THE BONDS IS LIMITED TO ISSUING AND DISCHARGING ITS OBLIGATIONS UNDER THE CREDIT FACILITY DESCRIBED HEREIN TO THE TRUSTEE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION.....	1
THE BONDS.....	5
ESTIMATED SOURCES AND USES OF FUNDS.....	17
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS	17
THE ISSUER	18
FANNIE MAE	19
THE LOAN SERVICER.....	20
THE TRUSTEE.....	20
BONDHOLDERS’ RISKS	21
TAX MATTERS	22
LEGAL MATTERS	23
MULTIPLE ROLES OF PARTIES	24
NO LITIGATION	24
ENFORCEABILITY OF REMEDIES.....	24
RATINGS.....	25
UNDERWRITING.....	25
MISCELLANEOUS.....	25
APPENDIX A PROPOSED FORM OF BOND COUNSEL OPINION	
APPENDIX B SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE	
APPENDIX C SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT	
APPENDIX D SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT	
APPENDIX E FORM OF FANNIE MAE CREDIT FACILITY	
APPENDIX F SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT	
APPENDIX G SUMMARY OF CERTAIN PROVISIONS OF THE NOTE	
APPENDIX H THE BORROWER AND THE PROJECT	

OFFICIAL STATEMENT

\$9,300,000

The Housing Authority of the County of Los Angeles
Variable Rate Demand Multifamily Housing Revenue Bonds
(Castaic Senior Apartments Project)
Series 2003C

INTRODUCTION

The following introductory statement is subject in all respects to more complete information contained elsewhere in this Official Statement. The order and placement of information in this Official Statement, which includes the cover page and Appendices hereto, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the cover page and Appendices hereto, must be considered in its entirety. Certain capitalized terms used in this Official Statement are defined in Appendices B, E and G attached hereto. All capitalized terms used in this Official Statement that are not otherwise defined herein shall have the meanings ascribed thereto in the Indenture, the Financing Agreement, the Regulatory Agreement, the Reimbursement Agreement and the Credit Facility (as each such term is hereinafter defined), as applicable.

This Official Statement and the Appendices hereto (this “Official Statement”) set forth certain information relating to the issuance by The Housing Authority of the County of Los Angeles (the “Issuer”) of the above captioned Bonds (the “Bonds”). The Bonds are being issued pursuant to Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California (the “Act”), and pursuant to a Trust Indenture, dated as of June 1, 2003 (the “Indenture”), between the Issuer and U.S. Bank National Association, as trustee (the “Trustee”).

The Bonds are being issued to provide funding for a mortgage loan (the “Loan”) to be made by the Issuer to the Borrower. The proceeds of the Loan will be used by the Borrower to finance the construction, equipping and permanent financing of a multifamily rental housing project known as Castaic Lake Senior Apartments (the “Project” or the “Mortgaged Property”) located in the County of Los Angeles, California. The Loan will be made pursuant to a Financing Agreement, dated as of the date of the Indenture (the “Financing Agreement”), among the Issuer, the Trustee and the Borrower. Pursuant to the Indenture, the Issuer will assign the Financing Agreement (including all of the rights of the Issuer thereunder except for its Reserved Rights), together with other property comprising the Trust Estate, to the Trustee for the benefit of the registered owners of the Bonds and Fannie Mae (“Fannie Mae” or the “Credit Provider”), as their interests may appear.

The Loan will be evidenced by a multifamily note (the “Note”) executed by the Borrower in favor of the Issuer and secured by a first lien priority Multifamily Deed of Trust Assignment of Rents, Security Agreement and Fixture Filing (California) encumbering the Project (the “Security Instrument”). The Note is a nonrecourse obligation of the Borrower subject to certain limited exceptions. On and before the Conversion Date (defined below), payments on the Loan will be made by the Borrower to the Trustee. Following the Conversion Date, payments on the Loan will be made by the Borrower to GMAC Commercial Mortgage Corporation (the “Loan Servicer”) and, in turn, will be remitted by the Loan Servicer, net of certain fees, escrows and other amounts, to Fannie Mae or the Trustee, as appropriate. The principal amount and payment provisions of the Note have been established and structured so that (a) the aggregate principal

amount of the Note will equal the aggregate principal amount of the Outstanding Bonds and (b) the interest payable on the Note will not be less than the interest payable on the Outstanding Bonds. The payments required to be made by the Borrower under the Note, if timely made by the Borrower, are intended to be sufficient in amount to pay, when due, the principal of and interest on the Outstanding Bonds.

On the Closing Date, the Issuer will, pursuant to the Assignment and Intercreditor Agreement, dated as of June 1, 2003 (the "Assignment") among the Issuer, the Trustee and Fannie Mae and acknowledged, accepted and agreed to by the Borrower, assign the Loan, the Note and the Security Instrument, without recourse, to the Trustee and Fannie Mae. Upon such assignment, the Loan will be part of the Trust Estate. Pursuant to the Assignment, Fannie Mae has the exclusive right to use all rights and remedies (other than Reserved Rights) under the Note, the Security Instrument, the Financing Agreement and all of the other Loan Documents (the "Assigned Documents"). Fannie Mae also has the right at any time, upon filing with the Trustee a certification reaffirming Fannie Mae's obligations under the Credit Facility, to direct the Trustee to assign all of its right, title and interest in and to the Assigned Documents to Fannie Mae.

THE BONDS AND THE INTEREST THEREON ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM THE TRUST ESTATE, WHICH IS SPECIFICALLY ASSIGNED AND PLEDGED TO SUCH PURPOSES IN THE MANNER AND TO THE EXTENT PROVIDED IN THE INDENTURE. NEITHER THE STATE OF CALIFORNIA, NOR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE ISSUER, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) WILL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM (IF ANY) OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER OF THE ISSUER, AND NONE OF THE BONDS OR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS WILL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE ISSUER, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER.

The Loan will be made by the Issuer on the Closing Date in accordance with Fannie Mae requirements and subject to the terms and conditions of a Commitment (the "Fannie Mae Commitment") issued by Fannie Mae to the Loan Servicer with respect to the Loan. Under the Fannie Mae Commitment, Fannie Mae has agreed, in connection with the Loan, but subject to the terms and conditions of the Fannie Mae Commitment, to provide credit enhancement for the Loan and liquidity support for the Bonds pursuant to, and subject to, the limitations of a Direct Pay Irrevocable Transferable Credit Enhancement Instrument (the "Credit Facility"), a form of which is attached hereto as Appendix E. The obligation of the Borrower to reimburse Fannie Mae for any funds provided by Fannie Mae under the Credit Facility will be set forth in a Reimbursement Agreement, dated as of the date of the Indenture (the "Reimbursement Agreement"), between the Borrower and Fannie Mae.

Fannie Mae's participation in the financing of the Mortgaged Property will not extend beyond the Construction Phase (as defined in the Construction Phase Reimbursement Agreement, dated as of the date of the Indenture (the "Construction Phase Reimbursement Agreement"), among Fannie Mae, U.S. Bank National Association, in its capacity as the Construction Phase Credit

Facility provider (the “Construction Lender”) and the Loan Servicer and acknowledged, accepted and agreed to by the Borrower, unless the “Conditions to Conversion” set forth in the Fannie Mae Commitment and the Construction Phase Reimbursement Agreement are satisfied on or before the Termination Date set forth in the Fannie Mae Commitment and the Construction Phase Reimbursement Agreement (or, to the extent not satisfied, are waived by Fannie Mae). The Termination Date is set forth in the Construction Phase Reimbursement Agreement, and is subject to extensions under the Construction Phase Reimbursement Agreement. The grant of any such extension is subject to the satisfaction of certain conditions. If the Conditions to Conversion set forth in the Fannie Mae Commitment and the Construction Phase Reimbursement Agreement are satisfied on or before the Termination Date (or, to the extent not satisfied, are waived by Fannie Mae) the Loan Servicer is to issue a conversion notice (as set forth in the Construction Phase Reimbursement Agreement) on or before the Termination Date, in which event the Loan will convert from the Construction Phase to the Permanent Phase (as each such term is defined in the Construction Phase Reimbursement Agreement) (the “Conversion”) effective on the date specified in the conversion notice (the “Conversion Date”), Fannie Mae’s participation in the financing will continue and the Credit Facility will continue to be in effect. If, however, the Conditions to Conversion are not satisfied on or before the Termination Date (or, to the extent not satisfied, are not waived by Fannie Mae) with the result that the Loan Servicer fails to issue a conversion notice (as set forth in the Construction Phase Reimbursement Agreement) on or before the Termination Date, the Loan will not convert from the Construction Phase to the Permanent Phase, and the Bonds will be subject to special mandatory redemption in whole. Any such special mandatory redemption will be at a redemption price equal to the principal amount of the Bonds plus accrued interest to the Redemption Date. No such redemption will be made at a premium. In the event of such a special mandatory redemption in whole, the redemption price is to be paid with funds provided under the Credit Facility. Alternatively, in lieu of such redemption, the Bonds may be purchased by the Trustee for the account of the Construction Lender from amounts advanced under the Credit Facility. See “THE BONDS—Redemption Provisions.” In either case, the Bondholders will be required to deliver their Bonds for redemption or purchase, as the case may be.

The Conditions to Conversion include, among other things, completion of construction of the Mortgaged Property and the achievement of a specified level of occupancy from the leasing of units in the Mortgaged Property. No assurance can be given that all of the Conditions to Conversion will be satisfied or that other events or circumstances may or may not occur as a result of which Conversion will not occur.

In addition, even if Conversion occurs, no assurance can be given that the principal amount of the Loan after Conversion, as finally determined in accordance with the Fannie Mae Commitment and the Construction Phase Reimbursement Agreement, will not be less than the original principal amount of the Loan. If the principal amount of the Loan, as finally determined in accordance with the Fannie Mae Commitment and the Construction Phase Reimbursement Agreement, is less than the original principal amount of the Loan, the principal amount of the Loan must, as a Condition to Conversion, be reduced by the Borrower’s prepayment of the Loan in part (a “Pre-Conversion Loan Equalization Payment”); upon such prepayment, a corresponding portion of the Bonds will be subject to special mandatory redemption^{*}. Any such

^{*} Loan underwriting by the Loan Servicer prior to the Closing Date supported a Loan amount of \$9,070,000. While the Bonds are being issued in the full Loan amount of \$9,300,000, should Project revenues not be sufficient at

special mandatory redemption will be at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest to the Redemption Date. No such redemption will be made at a premium. If such prepayment in part is required as a Condition to Conversion and is not made, Conversion will not occur and the Bonds will be subject to special mandatory redemption in whole, as described above. See “THE BONDS—Redemption Provisions.”

Prior to Conversion, Fannie Mae will be protected against loss by the Construction Lender pursuant to a Construction Phase Credit Facility acceptable to Fannie Mae. Certain events concerning the Construction Lender, the Construction Phase Reimbursement Agreement and the Construction Phase Credit Facility may result in the prepayment of the Loan and a corresponding special mandatory redemption of the Bonds. See “THE BONDS—Redemption Provisions.” The Construction Phase Credit Facility will be delivered for the sole benefit of Fannie Mae and will not secure payment of the Bonds.

In order to assure compliance with the applicable provisions of the Internal Revenue Code of 1986 (the “Code”) and the Act, the Borrower, the Trustee and the Issuer will enter into a Regulatory Agreement and Declaration of Restrictive Covenants, dated as of the date of the Indenture (the “Regulatory Agreement”). The Regulatory Agreement requires that certain of the residential rental units in the Project be occupied or held for occupancy by tenants with incomes below the levels and at the restricted rents described herein under “APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT.” In addition to those set forth in the Regulatory Agreement, the Project will be subject to additional occupancy restrictions. See “APPENDIX H—THE BORROWER AND THE PROJECT.”

FANNIE MAE’S OBLIGATIONS WITH RESPECT TO THE BONDS ARE SOLELY AS PROVIDED IN THE CREDIT FACILITY. THE OBLIGATIONS OF FANNIE MAE UNDER THE CREDIT FACILITY WILL BE OBLIGATIONS SOLELY OF FANNIE MAE, A FEDERALLY CHARTERED STOCKHOLDER OWNED CORPORATION, AND WILL NOT BE BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA OR ANY AGENCY OR INSTRUMENTALITY THEREOF OR OF FANNIE MAE. THE BONDS ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.

Brief descriptions of the Bonds, the sources of payment for the Bonds, the Issuer, Fannie Mae, the Borrower, the Manager and the Project and summaries of the Indenture, the Financing Agreement, the Regulatory Agreement, the Credit Facility, the Reimbursement Agreement and the Note are attached as appendices to this Official Statement. The information concerning Fannie Mae in this Official Statement has been obtained from Fannie Mae, and none of the Issuer, the Borrower, the Trustee or the Underwriter takes responsibility for the accuracy thereof. All references herein to the Indenture, the Financing Agreement, the Regulatory Agreement, the Credit Facility, the Reimbursement Agreement and the Note and all other documents and agreements described herein are qualified in their entirety by reference to such documents and agreements, and all references to the Bonds are qualified by reference to the form thereof included in the Indenture, copies of which are available for inspection at the corporate trust office of the Trustee.

Conversion to support the full Loan amount, the Loan size will be reduced and a corresponding amount of Bonds will be redeemed. As stated above, the final Loan amount may be less than \$9,070,000.

THE BONDS

General

The Bonds will be dated and will mature on the maturity dates set forth on the cover hereof. Interest on the Bonds will be payable to the registered owner thereof, as of the close of business on the applicable Record Date, in accordance with the terms set forth in the Indenture, on each Interest Payment Date. The initial rate of interest on the Bonds will be determined on or before the Closing Date and will be effective through and including June __, 2003. Thereafter, the interest rate on the Bonds will be determined by the Remarketing Agent on each Rate Determination Date and will be the minimum rate of interest necessary, in the best professional judgment of the Remarketing Agent, taking into consideration prevailing market conditions, to enable the Remarketing Agent to remarket all of the Bonds of the relevant Issue of Bonds on the applicable Rate Determination Date at par, plus accrued interest, if any, thereon for that Week (the “Weekly Variable Rate”). The Weekly Variable Rate determined will be effective for the seven-day period beginning on Thursday of each week through and including the following Wednesday. The Remarketing Agent will provide notice of each Weekly Variable Rate (a) before 5:00 p.m., Eastern Time, on the Rate Determination Date by telephone to any Beneficial Owner upon request and to the Loan Servicer, the Trustee and, so long as the Construction Phase Credit Facility is in effect, the Construction Lender, and (b) not later than the next Business Day to the remaining Remarketing Notice Parties by Electronic Means. Interest on the Bonds during the Weekly Variable Rate Period will be computed on the basis of a 365 or 366 day year, as applicable, for the actual number of days elapsed.

If the Remarketing Agent fails or refuses to determine the Weekly Variable Rate applicable for any Week, the interest rate to be borne by the Bonds during such Week shall be the latest BMA Index Rate published on or before the Rate Determination Date, or, in the event the BMA Index Rate is no longer published, the last Weekly Variable Rate for the Bonds determined by the Remarketing Agent. See Exhibit B, “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Definitions.” The interest rate on the Bonds may not exceed the Maximum Rate.

Adjustment of the Interest Rate on the Bonds

At the option of the Borrower, and so long as the Letter of Credit (as defined herein) is in effect, with the written consent of the Construction Lender, the interest rate on all Outstanding Bonds of an Issue may be adjusted on any Interest Payment Date from the Weekly Variable Rate to a Reset Rate for a Reset Period selected by the Borrower (and with the prior written consent of Fannie Mae if such Reset Period is of a term less than ten years) or to the Fixed Rate for the Fixed Rate Period (the date of such adjustment is an “Adjustment Date”).

The Bonds are subject to mandatory tender and purchase on each Adjustment Date, as set forth in, and in accordance with, the Indenture. See “THE BONDS—Mandatory Tender and Purchase” below.

This Official Statement describes the Bonds only during the initial Weekly Variable Rate Period, which is the period beginning on the Closing Date and ending on the date on which the interest rate on the Bonds is adjusted to a Reset Rate or to the Fixed Rate.

Optional Tender

General. During any Weekly Variable Rate Period, the Trustee shall purchase any Bond on behalf of and as agent for the Borrower, but solely from the sources provided in the Indenture, on the demand of the Beneficial Owner of such Bond. The purchase price of any Bond tendered for purchase shall be 100% of the principal amount of such Bond plus accrued interest, if any, to the date of purchase. The Beneficial Owner may demand purchase of its Bond by delivery of a Bondholder Tender Notice complying with the requirements of the Indenture to the Tender Agent at its Designated Office on any Business Day. Any Bondholder Tender Notice received by the Tender Agent after 3:30 p.m. Eastern Time on a Business Day will be treated as received at 9:00 a.m. Eastern Time on the following Business Day. The date of purchase shall be the date selected by the Beneficial Owner in the Bondholder Tender Notice; provided, however, that such date is a Business Day which is at least seven days after the date of the delivery of the Bondholder Tender Notice to the Tender Agent. A Bondholder Tender Notice complies with the requirements of the Indenture if it:

(z) is accompanied by a guaranty of signature acceptable to the Tender Agent; and

(aa) contains the CUSIP number of the Bond, the principal amount to be purchased (or portion of a Bond, provided that the retained portion is an Authorized Denomination), the name, address and tax identification number or social security number of the Beneficial Owner of the Bond demanding such payment and the purchase date.

Irrevocability of Tender. By delivering a Bondholder Tender Notice, subject to provisions related to the Book-Entry System, the Beneficial Owner has irrevocably agreed to deliver the Tendered Bond (with an appropriate transfer of registration form executed in blank and accompanied by a guaranty of signature satisfactory to the Tender Agent) to the Designated Office of the Tender Agent or any other address designated by the Tender Agent, at or prior to 10:00 a.m., Eastern Time, on the date of purchase specified in the Bondholder Tender Notice. Any election by a Beneficial Owner to tender a Bond or Bonds (or portion of a Bond or Bonds) for purchase on a Business Day in accordance with the Indenture shall also be binding on any transferee of the Beneficial Owner making such election.

Compliance with Tender Requirements. Bonds shall be required to be purchased as described above and provided in the Indenture only if the Bonds so delivered to the Tender Agent conform in all respects to the description thereof in the Bondholder Tender Notice. The Tender Agent shall determine in its sole discretion whether a Bondholder Tender Notice complies with the requirements provided in the Indenture and whether Bonds delivered conform in all respects to the description thereof in the Bondholder Tender Notice. Such determination shall be binding on the other Remarketing Notice Parties and the Beneficial Owner of the Bonds.

Untendered Bonds. If after delivery of a Bondholder Tender Notice to the Tender Agent the holder making such election fails to deliver any of the Bonds described in the Bondholder Tender Notice as required by the Indenture, each untendered Bond or portion of such untendered Bond (“Untendered Bond”) described in such Bondholder Tender Notice shall be deemed to have been tendered to the Tender Agent for purchase, to the extent that there is on deposit in the Bond Purchase Fund on the applicable purchase date an amount sufficient to pay the purchase price of such Untendered Bond, and such Untendered Bond from and after such purchase date shall cease to bear interest and no longer be considered to be Outstanding. The Trustee will promptly give notice by registered or certified first class mail, postage prepaid, to each

Beneficial Owner of any Bond which has been deemed to have been purchased, pursuant to the Indenture, which notice will state that interest on such Untendered Bond ceased to accrue from and after the date of purchase and that moneys representing the purchase price of such Untendered Bond are available against delivery of such Untendered Bond at the Designated Office of the Tender Agent. The Issuer shall sign and the Tender Agent shall authenticate and deliver for redelivery in accordance with the Indenture a new Bond or Bonds in replacement of the Untendered Bond not so delivered. The replacement of any Bond will not be deemed to create new indebtedness, but will be deemed to evidence the indebtedness previously evidenced by the Untendered Bond.

Notice of Bondholder Tender Notice. Immediately upon receipt of a copy of a Bondholder Tender Notice, the Tender Agent is to notify the other Remarketing Notice Parties by telephone, promptly confirmed in writing, of such receipt, specifying the contents of such Bondholder Tender Notice.

Book-Entry Only. Notwithstanding the above, as provided in the Indenture, during any period that the Bonds are Book-Entry Bonds, (a) any Bondholder Tender Notice also must (i) provide evidence satisfactory to the Tender Agent that the party delivering the notice is the Beneficial Owner of the Bond(s) or a custodian for the Beneficial Owner referred to in the notice and (ii) if the Beneficial Owner is other than a DTC Participant, identify the DTC Participant through whom the Beneficial Owner will direct transfer; (b) on or before the purchase date, the Beneficial Owner must direct (or if the Beneficial Owner is not a DTC Participant, cause its DTC Participant to direct) the transfer of said Bond(s) on the records of DTC to the account of, or as directed by, the Trustee; (c) Tendered Bond(s) will be purchased without physical delivery as if such Bond(s) had been so delivered and (d) the purchase price of such Bond(s) will be paid to DTC.

Purchase of Bond in Part. Upon surrender of any Bond for purchase in part only, the Issuer will execute and the Tender Agent will authenticate and deliver to the holder of such Bond a new Bond or Bonds of the same maturity and interest rate, of Authorized Denominations, in an aggregate principal amount equal to the unpurchased portion of the Bond surrendered.

Payment and Sources of Purchase Price. The Tender Agent will make payment for any Tendered Bond to the Registered Owner at or before 4:00 p.m., Eastern Time, on the date for purchase specified in the Bondholder Tender Notice, first, from remarketing proceeds on deposit in the Bond Purchase Fund, second, from proceeds of a payment under the Credit Facility, and third, from the Borrower. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Credit Facility.”

Mandatory Tender and Purchase

General. The Bonds are subject to mandatory tender and purchase by the Trustee on behalf of and as agent for the Borrower on each Mandatory Tender Date. Mandatory Tender Date includes each Adjustment Date (even if a proposed change in mode fails to occur), each Substitution Date, each Extension Date and each date described below under the caption “—Mandatory Tender Upon Default; Notice.” Such purchase will be at a purchase price equal to 100% of the principal amount thereof, plus accrued interest, if any, to the applicable Mandatory Tender Date.

Notice. The holders of the Bonds shall be required to tender their Bonds to the Tender Agent for purchase on each Mandatory Tender Date by the Trustee acting on behalf of and as agent for the Borrower, but solely from the sources provided in the Indenture, at a purchase price equal to

100% of the principal amount of the Bonds plus accrued interest to the applicable Mandatory Tender Date. The Owner of any Bond may not elect to retain its Bond. Mandatory Tender Dates include each Adjustment Date (even if a proposed change in Mode fails to occur), each Substitution Date and each Extension Date. The Trustee shall give notice of Mandatory Tender Dates as follows:

- (1) Not less than 30 days before any proposed Adjustment Date, the Trustee shall give notice by first class mail, postage prepaid, to the Bondholders stating the information required to be set forth in notices pursuant to the applicable provisions of the Indenture.
- (2) Not less than ten days before any Substitution Date, the Trustee shall give notice by first class mail, postage prepaid, to the Bondholders stating (A) an Alternate Credit Facility will be substituted for the Credit Facility then in effect, (B) the Substitution Date, (C) that the Bonds are required to be tendered on the Substitution Date and (D) that Bondholders will not have the right to elect to retain their Bonds.
- (3) Not less than ten days before any Extension Date, if the Trustee has not received a binding commitment to extend the applicable Alternate Credit Facility, the Trustee shall give notice by first class mail, postage prepaid, to the Bondholders stating (i) the Extension Date and that no commitment to extend the Alternate Credit Facility then in effect has been received by the Trustee, (ii) that such Bonds are required to be tendered on the Extension Date (unless an extension of the Alternate Credit Facility is received prior to the Extension Date), and (iii) that the Bondholders will not have the right to elect to retain such Bonds if an extension of the Alternate Credit Facility is not received.

Mandatory Tender Upon Default; Notice. The Bonds are subject to mandatory tender on the earliest practicable date, after notice of tender has been given to Bondholders (but not less than 10 nor more than 15 days after the giving of such notice) (which date must be a Mandatory Tender Date) upon receipt by the Trustee of written notice from the Credit Provider stating that an Event of Default under the Indenture, the Financing Agreement or the Reimbursement Agreement has occurred and directing that the Bonds be subject to mandatory tender rather than mandatory redemption. Immediately upon receipt by the Trustee of such written notice from the Credit Provider, the Trustee is required to give notice by first class mail, postage prepaid, to the owners of the Bonds stating (a) that such event has occurred, (b) that the Bonds are required to be tendered on the Mandatory Tender Date specified in such notice, and (c) that the Bondholders will not have the right to elect to retain their Bonds.

Untendered Bonds. Any Bond which is not tendered on a Mandatory Tender Date (“Untendered Bond”) will be deemed to have been tendered to the Tender Agent as of such Mandatory Tender Date, and, from and after such Mandatory Tender Date, shall cease to bear interest and no longer will be considered to be Outstanding. In the event of a failure by owners to deliver Bonds on the Mandatory Tender Date, such Owners will not be entitled to any payment (including any interest to accrue from and after the Mandatory Tender Date) other than the purchase price for such Untendered Bond, and any Untendered Bond will no longer be entitled to the benefits of the Indenture, except for the purpose of payment of the purchase price for such Untendered Bond. The Issuer shall sign, and the Tender Agent shall authenticate and deliver to the Remarketing Agent for redelivery to the purchaser, a new Bond in replacement of the Untendered Bond. The replacement of any such Untendered Bond shall not be deemed to create new indebtedness, but shall be deemed to evidence the indebtedness previously evidenced by the Untendered Bond.

Payment and Sources of Purchase Price. The Tender Agent is to make payment for Bonds purchased pursuant to the Indenture at or before 4:00 p.m., Eastern Time, on the Mandatory Tender Date, first, from remarketing proceeds on deposit in the Bond Purchase Fund, second, from proceeds of a payment under the Credit Facility, and third, by the Borrower. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Credit Facility.”

Purchase Price Moneys Held in Trust. Following any Mandatory Tender Date, moneys deposited with the Tender Agent for the purchase of Bonds are to be held in trust in the Bond Purchase Fund and are to be paid to the former owners of such Bonds upon presentation of such Bonds at the Designated Office of the Tender Agent. The Tender Agent is to promptly give notice by registered or certified first class mail, postage prepaid, to each Registered Owner of Bonds whose Bonds are deemed to have been purchased stating that interest on such Bonds ceased to accrue on the date of purchase and that moneys representing the purchase price of such Bonds are available against delivery of such Bonds at the Designated Office of the Tender Agent. During any period that the Bonds are Book-Entry Bonds, (i) any notice delivered pursuant to the terms of the Indenture is to be given only to the entity designated in the Letter of Representations, as required by the Indenture and (ii) it will not be necessary for Bond(s) to be physically delivered on the date specified for purchase of such Bond(s), but such purchase is to be made as if such Bond(s) had been so delivered, and the purchase price of such Bond(s) is to be paid to DTC.

No Sales After Wrongful Dishonor; No Purchase After Acceleration

Notwithstanding anything in the Indenture to the contrary, no Bonds shall be remarketed if the Trustee has given notice to the Remarketing Agent that a Wrongful Dishonor has occurred and is continuing. No Bonds, other than Pledged Bonds, shall be purchased if the Trustee has given notice to the Remarketing Agent that there has occurred and is continuing an acceleration of the Bonds pursuant to the Indenture.

Redemption Provisions

Optional Redemption. The Bonds are subject to optional redemption in whole or part upon optional prepayment of the Loan by the Borrower. Optional redemptions may be made on any Interest Payment Date within a Weekly Variable Rate Period and on any Adjustment Date at a redemption price equal to 100% of the principal amount redeemed plus accrued interest to the Redemption Date, without premium.

Mandatory Redemption. The Bonds are subject to mandatory redemption as provided in the Indenture on the earliest practicable Redemption Date for which timely notice of redemption can be given pursuant to the Indenture following the occurrence of the event requiring such redemption. The principal of and accrued interest on any Bond being redeemed pursuant to the terms of the Indenture will be paid from an Advance under the Credit Facility. Bonds will be redeemed at a redemption price equal to 100% of the principal amount of such Bonds plus accrued interest to the Redemption Date.

(bb) *Casualty or Condemnation.* The Bonds shall be redeemed in whole or in part in the event and to the extent that proceeds of insurance from any casualty to, or proceeds of any award from any condemnation of, or any award as part of a settlement in lieu of condemnation of, the Project (“Proceeds”) are applied in accordance with the Security Instrument, to the prepayment of the Loan.

(cc) *Principal Reserve Fund.* The Bonds shall be redeemed in whole or in part (i) on each Adjustment Date in an amount which has been transferred from the Principal Reserve Fund on such Adjustment Date to the Redemption Account pursuant to the Indenture; and (ii) on any Interest Payment Date in an amount equal to the amount that has been transferred from the Principal Reserve Fund on such Interest Payment Date to the Redemption Account pursuant to the Indenture.

(dd) *After an Event of Default Under the Reimbursement Agreement.* The Bonds will be redeemed in whole or in part in an amount specified by and at the direction of the Credit Provider requiring that the Bonds be redeemed following any Event of Default under the Reimbursement Agreement. The Redemption Date shall be the earliest practicable date, but in no event shall such redemption occur later than two Business Days prior to the date, if any, that the Credit Facility terminates on account of the Credit Provider's giving of direction to the Trustee to redeem all of the Bonds.

(ee) *Pre-Conversion Loan Equalization.* The Bonds shall be redeemed in part in the event that the Borrower makes a Pre-Conversion Loan Equalization Payment. The principal amount of Bonds to be redeemed shall be the amount prepaid by the Borrower or, if such amount is not an integral multiple of an Authorized Denomination, the next lowest integral multiple of an Authorized Denomination to the amount prepaid.

(ff) *Failure of Conversion or Borrower Default.* The Bonds shall be redeemed in whole if the Credit Provider notifies the Trustee that (i) the Conditions to Conversion have not been satisfied on or prior to the Termination Date, or (ii) a Borrower Default has occurred, or (iii) the Construction Lender has directed Fannie Mae to draw on the Letter of Credit due to an event of default by the Borrower under the Construction Phase Loan Agreement or the Construction Phase Reimbursement Agreement. The Bonds shall also be redeemed in whole or in part at the time and as otherwise required by the Indenture if the Trustee purchases the Bonds for the account of the Construction Lender pursuant to the heading "Special Purchase in Lieu of Redemption" in the Indenture.

(gg) *Excess Loan Funds.* The Bonds shall be redeemed in whole or in part in the event and to the extent that amounts on deposit in the Loan Fund are transferred to the Redemption Account pursuant to the Indenture.

Notice of Redemption

The Trustee shall give notice of redemption by first class mail, postage prepaid, not less than 10 days prior to the specified Redemption Date, to the Registered Owner of each Bond to be redeemed at the address of such Registered Owner as shown on the Bond Register. With respect to Book-Entry Bonds, if the Trustee sends notice of redemption to the Securities Depository pursuant to the Letter of Representations, the Trustee shall not be required to give the notice set forth in the immediately preceding sentence. In the case of any redemption of Bonds as described herein under subparagraph (c) under the heading "—Mandatory Redemption" above, no prior notice of redemption will be given. In the case of any redemption pursuant to the Indenture, the Trustee will give notice of redemption as provided in the Indenture. In the case of an optional redemption of Bonds, the notice of redemption shall state that it is conditioned upon receipt by the Trustee of sufficient moneys to redeem the Bonds including Available Moneys to pay any redemption premium in full ("Conditional Redemption"), and such notice and optional redemption shall be of no effect if either (i) by no later than the scheduled redemption date, sufficient moneys to redeem the Bonds and sufficient Available Moneys to pay any redemption premium have not been deposited with the Trustee, or, if such moneys are deposited, are not available or (ii) the Trustee at the direction of the Credit Provider, rescinds such notice on or

prior to the scheduled redemption date. The Trustee shall cause a second notice of redemption to be sent by first class mail, postage prepaid, on or within 10 days after the thirtieth day after the Redemption Date to any Bondholder who has not submitted its Bond to the Trustee for payment. The Trustee shall provide copies of all notices given under the heading “Notice of Redemption to Registered Owners” in the Indenture and of all revocations of notices to the Credit Provider, the Loan Servicer and the Construction Lender at the same time it gives notices to Bondholders.

Each notice of redemption must state: (i) the date of the redemption notice; (ii) the Closing Date and the complete official name of the Bonds, including the series designation; (iii) for each Bond to be redeemed, the interest rate or that the interest rate is variable, maturity date and in the case of a partial redemption of Bonds, the principal amount of each Bond to be redeemed; (iv) the CUSIP numbers of all Bonds being redeemed; (v) the place or places where the Bonds to be redeemed must be surrendered for payment and where amounts due upon such redemption will be payable upon surrender of the Bonds to be redeemed; (vi) the Redemption Date and redemption price of each Bond to be redeemed; (vii) the name, address, telephone number and contact person at the office of the Trustee with respect to such redemption; (viii) that interest on all Bonds to be redeemed will not accrue from and after the Redemption Date; (ix) if a redemption is a Conditional Redemption, that redemption is conditional upon receipt by the Trustee of sufficient moneys to redeem the Bonds including Available Moneys to pay any redemption premium and (x) that the Credit Provider may direct the Trustee to cancel such redemption upon the occurrence of any Event of Default under the Reimbursement Agreement.

At the same time notice of redemption is sent to the Registered Owners the Trustee shall send notice of redemption by first class mail, overnight delivery service or other overnight means, postage or service prepaid (or as specified otherwise in the Indenture) (i) to the Rating Agency, (ii) if the Bonds are not subject to the Book-Entry System, to certain municipal registered Securities Depositories which are known to the Trustee, on the second Business Day prior to the date the notice of redemption is mailed to the Bondholders, to be holding Bonds, and (iii) at least two of the national Information Services that disseminate securities redemption notices.

If notice is given as stated in the Indenture, failure of any Bondholder to receive such notice, or any defect in the notice, shall not affect the redemption or the validity of the proceedings for the redemption of the Bonds.

The Trustee shall rescind any Conditional Redemption if the requirements of the Indenture described in the first paragraph under the heading “—Notice of Redemption” above have not been met on or before the Redemption Date or the Trustee has received a direction to cancel the Conditional Redemption from the Credit Provider. The Trustee shall give notice of rescission by the same means as is provided in the Indenture for the giving of notice of redemption or by Electronic Means confirmed in writing. The optional redemption shall be canceled once the Trustee has given notice of rescission. Any Bonds subject to Conditional Redemption where redemption has been rescinded shall remain Outstanding, and neither the rescission nor the failure of funds being made available in part or in whole on or before the Redemption Date shall constitute an Event of Default. Notwithstanding notice having been given in the manner provided above, any optional redemption of Bonds shall be canceled with the consent of or at the direction of the Credit Provider if the Credit Provider has notified the Trustee in writing that an Event of Default under the Reimbursement Agreement has occurred.

Redemption Payments

If notice of redemption has been given and the conditions for such redemption, if applicable, have been met, the Bonds called for redemption shall become due and payable on the Redemption Date, interest on those Bonds will cease to accrue from and after the Redemption Date and the called Bonds will no longer be Outstanding. The holders of the Bonds so called for redemption shall thereafter no longer have any security or benefit under the Indenture except to receive payment of the redemption price for such Bonds upon surrender of such Bonds to the Trustee. All moneys held by or on behalf of the Trustee for the redemption of particular Bonds will be held in trust for the account of the holders of the Bonds to be redeemed. If less than the entire principal amount of a Bond is called for redemption, the Issuer is to execute, and the Trustee is to authenticate and deliver, upon the surrender of such Bond to the Trustee, without charge by the Issuer or the Trustee to the Bondholder, in exchange for the unredeemed principal amount of such Bond, a new Bond or Bonds of the same interest rate, maturity and term, in any Authorized Denomination, in aggregate principal amount equal to the unredeemed balance of the principal amount of the Bond so surrendered.

Selection of Bonds to be Redeemed Upon Partial Redemption

If less than all the Outstanding Bonds are called for redemption, the Trustee shall select by lot, in such manner as it determines in its discretion, the Bonds, or portions of the Bonds in Authorized Denominations, to be redeemed. In the selection process (i) any Pledged Bonds Outstanding will be called for redemption before any other Bonds are selected for redemption, and (ii) if applicable, the Bonds with the highest interest rate will be called for redemption before any other Bonds are selected for redemption. For the purposes of the provisions described under this heading, Bonds which have previously been selected for redemption will not be deemed Outstanding. Notwithstanding the foregoing, the Securities Depository for Book-Entry Bonds shall select the Bonds for redemption within particular maturities according to its stated procedures.

Purchase of Bonds in Whole in Lieu of Redemption

If the Bonds are called for redemption in whole pursuant to the Indenture, all (but not less than all) of the Bonds may be purchased by the Trustee (for the account of the Borrower or the Credit Provider or their respective designee, as directed by such party) on the date which otherwise would be the Redemption Date, (i) except in the case of a redemption described herein under subparagraph (a) or (c) under the heading “—Mandatory Redemption” above) or otherwise at the direction of the Borrower with the written consent of the Credit Provider, or (ii) at the direction of the Credit Provider. Such purchase shall require written notice to the Trustee, at least one Business Day prior to such Redemption Date. The purchase price of the Bonds shall be equal to the redemption price which would have been applicable to such Bonds on the Redemption Date. The purchase price will be paid only from Available Moneys. In the event the Trustee is so directed to purchase Bonds in lieu of redemption, no notice to the holders of the Bonds to be purchased (other than the notice of redemption otherwise required under the Indenture) will be required. The Trustee is authorized to apply to the purchase price the funds in the Redemption Account which would have been used to pay the redemption price of the Bonds. In no event will Fannie Mae in its capacity as Credit Provider purchase Bonds for its own account in lieu of

redemption without the prior written consent of the General Counsel to Fannie Mae. Bonds so purchased for the account of the Borrower with moneys advanced under the Credit Facility will for all purposes under the Indenture constitute Pledged Bonds.

All Bonds so called for redemption will cease to bear interest on the specified date set for redemption, provided funds for their redemption have been duly deposited with the Trustee pursuant to the Indenture and, thereafter, the owners of such Bonds called for redemption shall have no rights in respect thereof, except to receive payment of the redemption price for such Bonds.

Special Purchase in Lieu of Redemption

If all Bonds Outstanding are called for redemption in whole under subparagraph (e) under the heading “Mandatory Redemption” at any time that the Letter of Credit is in effect, the Bonds may, in lieu of such redemption, be purchased (“Special Purchase Bonds”) by the Trustee, at the written direction of the Construction Lender to the Trustee, for the account of the Construction Lender. Any purchase of Bonds pursuant to this heading shall be in whole and not in part. Such purchase shall be made on the date the Bonds are otherwise scheduled to be redeemed (“Special Purchase Date”). The purchase price of the Special Purchase Bonds (“Special Purchase Price”) shall be equal to the principal amount of the Special Purchase Bonds, plus accrued interest, if any, on the Special Purchase Bonds to the Special Purchase Date. The payment source shall consist solely of funds to be advanced by the Credit Provider under the Credit Facility in connection with such redemption together with Available Moneys otherwise available under the Indenture to pay the redemption price of the Special Purchase Bonds as directed by the Credit Provider.

Bonds to be purchased under the terms of the Indenture described in the foregoing paragraph that are not delivered to the Trustee on the Special Purchase Date shall be deemed to have been so purchased and not redeemed on the Special Purchase Date and shall cease to accrue interest as to the former owner on the Special Purchase Date. Special Purchase Bonds shall be registered in the name of the Construction Lender or any third party designated by the Construction Lender and shall be delivered to the party designated by the Construction Lender. If delivery of the Bonds is not possible, the Trustee shall deliver a written entitlement order to the applicable financial intermediaries on whose records ownership of the Special Purchase Bonds is reflected directing the intermediaries to credit the security entitlement to the Special Purchase Bonds to the account of the Construction Lender. Following such purchase, the registered owner of the Special Purchase Bonds shall be the owner of such Bonds for all purposes under the Indenture and interest accruing on such Bonds from and after the Special Purchase Date shall be payable solely to the registered owner of the Special Purchase Bonds.

Notice of the election by the Construction Lender to purchase Bonds otherwise called for redemption shall be delivered in writing to the Trustee, the Credit Provider, the Loan Servicer and the Rating Agency not less than eight days prior to the date otherwise scheduled for redemption of the Bonds.

It is the intention of the Issuer that the purchase of Bonds pursuant to this heading shall not constitute a merger or extinguishment of the indebtedness of the Issuer evidenced by the Bonds so purchased or of the indebtedness of the Borrower under the Loan; Special Purchase Bonds shall for all purposes be regarded as Outstanding under the Indenture, except as otherwise expressly provided in the Indenture. Upon the purchase of any Bond pursuant to this heading,

the notice of redemption previously given with respect to such Bond shall be deemed to be a notice of mandatory tender of such Bond.

Notwithstanding anything contained in the Indenture to the contrary, in no event shall the Credit Facility (or any funds advanced under the Credit Facility) directly or indirectly secure, or provide a source of payment of amounts due from time to time with respect to, the Special Purchase Bonds. In no event shall the Credit Provider be deemed to be the owner of any Special Purchase Bond whether pursuant to this heading or otherwise.

Notwithstanding anything to the contrary in the Indenture, Special Purchase Bonds registered in the name of the Construction Lender pursuant to the terms of the Indenture described herein under the heading “Special Purchase in Lieu of Redemption” may not be transferred to another registered owner without written approval of the Issuer and only in compliance with all applicable securities laws; provided, however, that such approval shall not be required if at the time of such transfer, the Special Purchase Bonds have a current rating of “A” or better from the Rating Agency. Any such approved transfer must be of all of the Outstanding Bonds to a single registered owner.

Book-Entry Only

The information in this section concerning The Depository Trust Company (“DTC”) and DTC’s Book-Entry System has been obtained from DTC. None of the Issuer, Fannie Mae or the Borrower makes any representation or warranty or take any responsibility for the accuracy or completeness of such information.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust

companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to

credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Remarketing Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Remarketing Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Remarketing Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Remarketing Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Remarketing Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Remarketing Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

Remarketing Agent

Pursuant to a Remarketing Agreement executed and delivered with respect to the Bonds, dated as of the date of the Indenture (the "Remarketing Agreement"), by and between Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp. (the "Remarketing Agent") and the Borrower, the Remarketing Agent has been appointed to serve as remarketing agent. The Remarketing Agent will determine the interest rates on the Bonds and is required to use its best efforts to remarket the Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the sale of the Bonds are expected to be applied as follows:

Sources of Funds

<u>Bond Proceeds</u>	<u>\$9,300,000</u>
<u>Borrower Equity</u>	

<u>Total</u>	<u>\$</u>
---------------------	------------------

Uses of Funds

<u>Deposit to Loan Fund</u>	<u>\$</u>
<u>Deposit to Costs of Issuance Fund</u>	

<u>Total</u>	<u>\$</u>
---------------------	------------------

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

Under the terms of the Indenture, the Bonds are secured by the Credit Facility and by a pledge of the Trust Estate comprised of the following:

(hh) all right, title and interest of the Issuer in and to the Loan, including the Note, the Security Instrument and the other Loan Documents and in and to the Financing Agreement, reserving, however, the Reserved Rights;

(ii) all rights to receive payments on the Note and under the other Loan Documents, including all proceeds of insurance or condemnation awards;

(jj) all right, title and interest of the Issuer in and to the Revenues, the Net Bond Proceeds and the accrued interest, if any, derived from the sale of the Bonds, and all Funds and Accounts under the Indenture (including, without limitation, moneys, documents, securities, investments, Investment Income, instruments and general intangibles on deposit or otherwise held by the Trustee) but excluding all moneys in the Fees Account, the Rebate Fund and the Costs of Issuance Fund (including within such exclusion Investment Income retained in the Costs of Issuance Fund and the Rebate Fund);

(kk) all funds, moneys and securities and any and all other rights and interests in property, whether tangible or intangible, from time to time conveyed, mortgaged, pledged, assigned or transferred by delivery or by writing of any kind to the Trustee as additional security under the Indenture for the benefit of the Bondholders and the Credit Provider; and

(ll) all of the proceeds of the foregoing, including, without limitation, Investments and Investment Income (except as excluded above).

The foregoing (collectively the “Trust Estate”) are pledged for the equal and proportionate benefit, security and protection (subject to the terms of the Indenture) of (a) all Registered Owners of the Bonds, without privilege, priority or distinction as to the lien or otherwise of any

of the Bonds over any of the other Bonds and (b) the Credit Provider to secure the payment of all amounts owed to the Credit Provider under the Credit Facility Documents. Under the Assignment, Fannie Mae has the right to direct the Trustee to assign the Loan to Fannie Mae, but only upon filing with the Trustee a certification reaffirming Fannie Mae's obligations under the Credit Facility. Fannie Mae is obligated to assign the Loan Rights to the Trustee upon any Wrongful Dishonor (as defined in the Assignment).

Credit Facility

In addition to the other security provided under the Indenture, the Loan and the Bonds will be secured by the Credit Facility. The form of Credit Facility is attached hereto at Appendix E.

Limited Liability

THE BONDS AND THE INTEREST THEREON ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM THE TRUST ESTATE, WHICH IS SPECIFICALLY ASSIGNED AND PLEDGED TO SUCH PURPOSES IN THE MANNER AND TO THE EXTENT PROVIDED IN THE INDENTURE. NEITHER THE STATE OF CALIFORNIA, NOR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE ISSUER, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) WILL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM (IF ANY) OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER OF THE ISSUER, AND NONE OF THE BONDS OR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS WILL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE ISSUER, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER.

THE ISSUER

The Issuer is a public body, corporate and politic, organized and operating under and by virtue of the Constitution and laws of the State of California. Under the Act, the Issuer is empowered to issue revenue bonds for the purpose of, among other things, financing multifamily residential rental projects.

The Issuer is governed by its Board of Commissioners who is also the County Board of Supervisors. The members of the Board of Commissioners of the Issuer are as follows:

Name

Position

Yvonne Braithwaite Burke

Chair

Gloria Molina

Commissioner

Zev Yaroslavsky

Commissioner

Don Knabe

Commissioner

Michael D. Antonovic

Commissioner

The Commission has combined certain redevelopment agency and community development functions of the County. The Commission is responsible for redevelopment and economic development activities, urban county community development block grant management, tax-exempt housing financing and administration of housing and commercial rehabilitation funds. Administrative operations of the Issuer are under the direction and control of an Executive Director who acts as Chief Executive Officer.

The Issuer has not reviewed any appraisal for the Project or any feasibility study or other financial analysis of the Project and has not undertaken to review or approve expenditures for the Project, to supervise the construction and equipping of the Project, or to obtain any financial statements of the Borrower.

FANNIE MAE

The following information in this section "FANNIE MAE" is provided by Fannie Mae. Neither the Issuer, the Borrower nor the Underwriter, make any representation as to its accuracy.

Fannie Mae is a federally chartered and stockholder owned corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. 1716 et seq. It is the largest investor in home mortgage loans in the United States with a net portfolio of \$823 billion of mortgage loans as of March 31, 2003. Fannie Mae was originally established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market and became a stockholder owned and privately managed corporation by legislation enacted in 1968.

Fannie Mae purchases, sells, and otherwise deals in mortgages in the secondary market rather than as a primary lender. It does not make direct mortgage loans but acquires mortgage loans originated by others. In addition, Fannie Mae issues mortgage backed securities ("MBS"), primarily in exchange for pools of mortgage loans from lenders. Fannie Mae receives guaranty fees for its guarantee of timely payment of principal of and interest on MBS certificates.

Fannie Mae is subject to regulation by the Secretary of Housing and Urban Development ("HUD") and the Director of the independent Office of Federal Housing Enterprise Oversight within HUD. Approval of the Secretary of Treasury is required for Fannie Mae's issuance of its debt obligations and MBS. Five of the eighteen members of Fannie Mae's Board of Directors are appointed by the President of the United States, and the other thirteen are elected by the holders of Fannie Mae's common stock.

The securities of Fannie Mae are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any agency or instrumentality thereof other than Fannie Mae.

As of March 31, 2003, Fannie Mae's core capital was \$29.5 billion. Information on Fannie Mae and its financial condition is contained in Fannie Mae's most current annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K that are filed with the SEC. The SEC filings are available at the SEC's website at www.sec.gov. The periodic reports filed by Fannie Mae with the SEC are also available on Fannie Mae's web site at <http://www.fanniemae.com/ir/sec>.

Fannie Mae makes no representation as to the contents of this Official Statement, the suitability of the bonds for any investor, the feasibility of performance of any project, or compliance with any securities, tax or other laws or regulations. Fannie Mae's role with respect to the Bonds is limited to issuing and discharging its obligations under the Credit Enhancement Facility and exercising the rights reserved to it in the Indenture and the Reimbursement Agreement.

THE LOAN SERVICER

Beginning on the Conversion Date, GMAC Commercial Mortgage Corporation, a California corporation (the "Loan Servicer"), will perform mortgage servicing functions with respect to the Loan on behalf of Fannie Mae and in accordance with Fannie Mae's requirements. The servicing arrangements between Fannie Mae and the Loan Servicer for the servicing of the Loan are solely between Fannie Mae and the Loan Servicer and neither the Issuer nor the Trustee is deemed to be party thereto or has any claim, right, obligation, duty or liability with respect to the servicing of the Loan.

The Loan Servicer will be obligated, pursuant to its arrangements with Fannie Mae and Fannie Mae's servicing requirements, to perform diligently all services and duties customary to the servicing of mortgages, as well as those specifically prescribed by Fannie Mae. Fannie Mae will monitor the Loan Servicer's performance and has the right to remove the Loan Servicer with or without cause. The duties performed by the Loan Servicer include general loan servicing responsibilities, collection and remittance of principal and interest payments, administration of mortgage escrow accounts and collection of insurance claims. In addition, the Loan Servicer has certain billing, collection and remittance obligations under the Assignment and the Note.

The selection or replacement of the Loan Servicer is in the sole and absolute discretion of Fannie Mae. The servicing arrangements between the Loan Servicer and Fannie Mae are subject to amendment or termination from time to time without the consent of the Issuer, the Trustee or the Borrower, and none of the Trustee, the Issuer or the Borrower have any rights under, and none is a third party beneficiary of, the servicing arrangements between the Loan Servicer and Fannie Mae.

The Loan Servicer is an approved DUS seller/servicer under Fannie Mae's Delegated Underwriting and Servicing product line.

The Loan Servicer makes no representation as to the contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility or performance of the Project or compliance with any securities, tax or other laws or regulations. The Loan Servicer's role is limited to underwriting and servicing the Mortgage Loan for the benefit of Fannie Mae.

THE TRUSTEE

U.S. Bank National Association, will act as Trustee pursuant to the Indenture. The obligations of the Trustee are described in the Indenture. The Trustee has undertaken only those duties and obligations that are expressly set forth in the Indenture. The Trustee has not independently passed upon the validity of the Bonds, the security of the payment therefor, the value or condition of any assets pledged to the payment thereof, the adequacy of the provisions for such payment, the status for federal or state income tax purposes of the interest on the Bonds, or the investment quality of the Bonds. Except for the contents in this section, the Trustee has not reviewed or participated in the preparation of this Official Statement and has assumed no

responsibility for the nature, content, accuracy or completeness of the information included in this Official Statement.

BONDHOLDERS' RISKS

Purchase of the Bonds involves certain investment risks. In order to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including the Appendices hereto) in order to make a judgment as to whether the Bonds are an appropriate investment. Certain of the risks associated with the purchase of the Bonds are described below. The following list of possible factors, while not setting forth all the factors that must be considered, contains some of the factors that should be considered prior to purchasing the Bonds. THIS DISCUSSION OF RISK FACTORS IS NOT, AND IS NOT INTENDED TO BE, COMPREHENSIVE OR EXHAUSTIVE.

Failure To Satisfy Conditions to Conversion

If the conversion notice is not issued on or before the Termination Date, (a) Conversion will not occur, (b) the Bonds will be subject to special mandatory redemption pursuant to the Indenture unless the Bonds are purchased by or for the account of the Construction Lender pursuant to the Indenture and (c) the Credit Facility will terminate in accordance with its terms.

Construction Lender

Pursuant to the Construction Phase Reimbursement Agreement, the Construction Lender has provided to Fannie Mae the Construction Phase Credit Facility in the form of a letter of credit (the "Construction Phase Credit Facility" or the "Letter of Credit"). The Letter of Credit is to be used to reimburse Fannie Mae in the event Fannie Mae is required to pay amounts under the Credit Facility during the Construction Phase. Under the terms of the Construction Phase Reimbursement Agreement, Fannie Mae will be authorized, subject to the terms and conditions of the Construction Phase Reimbursement Agreement, to draw on the Letter of Credit in certain events, including, but not limited to, (a) a default by the Borrower under the Mortgage Note, (b) the receipt by Fannie Mae of a notice from the Trustee requesting payment from Fannie Mae under the Credit Facility, and (c) the failure to satisfy the Conditions to Conversion on or before the Termination Date. In addition, the Construction Lender may direct Fannie Mae, upon the occurrence of a default under the Construction Phase Credit Reimbursement Agreement, to draw on the Letter of Credit to effect a corresponding special mandatory redemption or purchase of the Bonds in whole with funds drawn on the Credit Facility.

No Acceleration or Redemption Upon Loss of Tax Exemption

The Borrower has covenanted and agreed to comply with the provisions of the Code relating to the exclusion from gross income of the interest payable on the Bonds for federal income tax purposes, and the financing documents contain provisions and procedures designed to assure compliance with such covenant. However, the Borrower's covenant to comply with the requirements of the Code is nonrecourse to the Borrower, and the Borrower's liability is limited to the revenues and assets comprising the Project. Furthermore, the Borrower's failure to comply with such provisions will not constitute a default under the Indenture and will not give

rise to a redemption or acceleration of the Loan or the Bonds (unless Fannie Mae determines, in its sole and absolute discretion, that such failure will constitute such a default (see “THE BONDS—Redemption Provisions—Mandatory Redemption” and “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Defaults and Remedies—Nondefault and Prohibition of Mandatory Redemption Upon Tax Event”). Consequently, interest on the Bonds may become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the Bonds by reason of the Borrower’s failure to comply with the requirements of the Code, and the Issuer and the Trustee will not have remedies available to them to mitigate the adverse economic effects to the owners of the Bonds of such inclusion by reason of the Borrower’s noncompliance.

Performance of the Project

No assurance can be given as to the future performance of the Project. If there is a default by the Borrower under the Financing Agreement, including the failure by the Borrower to pay on the date due any amounts required to be paid by the Borrower under the Financing Agreement, the Note or the Security Instrument, Fannie Mae may give notice to the Trustee that it elects to accelerate the Bonds. Upon receipt of such notice, the Trustee is required pursuant to the Indenture to declare the principal amount of the Bonds to be immediately due and payable and immediately demand payment under the Credit Facility, which amounts will be applied to pay the principal of and interest on the Bonds. No premium will be paid on the Bonds in the event of the declaration of acceleration of maturity of the Bonds. See “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Defaults and Remedies,” “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT—Events of Default” and “—Remedies Upon an Event of Default” and “APPENDIX H—THE BORROWER AND THE PROJECT.”

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986 (the “Code”), except that no opinion is expressed as to the status of interest on any Bond during any period such Bond is held by a person who is a “substantial user” of the Project or a “related person” within the meaning of Section 147(a) of the Code. Bond Counsel observes, however, that such interest is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. Bond Counsel is also of the opinion that interest on the Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. A complete copy of the proposed form of the opinion of Bond Counsel is set forth in Appendix A.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Issuer and the Borrower have covenanted to comply with certain restrictions designed to ensure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in federal gross income,

possibly from the date of issuance of the Bonds. The opinion of Bond Counsel will assume compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may affect the tax status of interest on the Bonds.

The interest rate mode and certain other requirements, agreements and procedures contained or referred to in the Indenture, the Financing Agreement, the Regulatory Agreement, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Orrick, Herrington & Sutcliffe LLP expresses no opinion as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Orrick, Herrington & Sutcliffe LLP.

Although Bond Counsel expects to render an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Bondholder's tax liability. The nature and extent of these other tax consequences will depend upon the Bondholder's particular tax status and the Bondholder's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

In addition, no assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax status of such interest. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the Internal Revenue Service ("IRS"), including but not limited to regulation, ruling, or selection of the Bonds for audit examination, or the course or result of any IRS examination of the Bonds, or obligations which present similar tax issues, will not affect the market price for the Bonds.

LEGAL MATTERS

In connection with the issuance of the Bonds, Orrick, Herrington & Sutcliffe LLP, as Bond Counsel, will render the opinion attached hereto as Appendix A. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement or other offering material relating to the Bonds. Certain legal matters will be passed on for Fannie Mae by its Legal Department and by its special counsel, O'Melveny & Myers LLP, for the Borrower by Pillsbury Winthrop LLP, San Francisco, California; and for the Underwriter by its counsel, Eichner & Norris PLLC, Washington, D.C. Fees and expenses of certain of the above mentioned counsel are contingent upon issuance of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions on the legal issues explicitly addressed therein. By rendering the legal opinion, the opinion giver does not become an insurer or guarantor of an expression of professional judgment of the transaction opined upon, or of the future performance of parties to such transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

MULTIPLE ROLES OF PARTIES

Affiliated subsidiaries of GMAC Commercial Holding Corp. are acting as the Underwriter and Remarketing Agent for the Bonds, as the purchaser of the tax credits and as the Loan Servicer. By purchasing a Bond, the purchaser thereof consents to any conflict of interest that could arise by reason of the different capacities in which GMAC Commercial Holding Corp. and its affiliated subsidiaries will act in connection with the Bonds.

NO LITIGATION

To the best knowledge of the Issuer, there is no action, suit or proceeding pending or threatened restraining or enjoining the execution or delivery of the Bonds or in any way contesting or affecting the validity of the foregoing.

To the best knowledge of the Borrower, there is no pending or threatened action, suit or proceeding seeking to restrain or enjoin the execution or delivery of the Bonds or in any way contesting or affecting the validity of the foregoing or which in any way contests the existence or powers of the Borrower, and there is no pending or threatened action, suit or proceeding pending against or relating to the Borrower or the Project or which could have a material adverse effect on the financial condition or operation of the Borrower or the Project.

ENFORCEABILITY OF REMEDIES

The remedies available to the Trustee and the Owners of the Bonds upon an Event of Default under the Financing Agreement, the Regulatory Agreement or the Indenture are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, including specifically the Federal Bankruptcy Code (Title 11 of the United States Code), the remedies provided for under the Federal Bankruptcy Code, the Financing Agreement, the Regulatory Agreement or the Indenture may not be readily available or may be limited.

In addition, the Financing Agreement and Regulatory Agreement provide that the obligations of the Borrower contained in such agreements (other than certain obligations to the Issuer and the Trustee individually and not on behalf of the Owners of the Bonds) will be limited obligations payable solely from the income and assets of the Borrower, and no member of the Borrower shall have any personal liability for the satisfaction of any obligation of the Borrower under such agreements or of any claim against the Borrower arising out of such agreements or the Indenture. The various legal opinions to be delivered in connection with the delivery of the Bonds, the Indenture, the Financing Agreement, the Regulatory Agreement and the Security Instrument will be qualified to the extent that the enforceability of certain legal rights related to the Bonds, the Indenture, the Financing Agreement and the Regulatory Agreement are subject to limitations imposed by such things as the exercise of judicial discretion in accordance with general principles of equity (whether applied by a court of law or a court of equity), including judicial limitations on rights to specific performance and bankruptcy, insolvency, reorganization.

RATINGS

It is a condition to issuing the Bonds that Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. (the "Rating Agency"), assign the ratings set forth on the cover hereof to the Bonds. Any desired explanation of the significance of the ratings should be obtained from the Rating Agency. The ratings are not a recommendation to buy, sell or hold the Bonds. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency originally establishing the rating, circumstances so warrant. Neither the Underwriter nor the Issuer has undertaken responsibility either to bring to the attention of the registered Owner of the Bonds any proposed revision or withdrawal of the ratings of the Bonds or to oppose any such proposed revision or withdrawal. Any such change in or withdrawal of such a rating could have an adverse affect on the market price of the Bonds.

UNDERWRITING

Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp. (the "Underwriter") has agreed to purchase the Bonds and will be paid an underwriter's fee equal to ____% of the principal amount of the Bonds. The initial public offering prices may be changed from time to time by the Underwriter.

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and certain dealer banks and banks acting as agents at prices lower than the public offering price stated on the cover of this Official Statement.

In addition to serving as Underwriter, Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp. has been designated to serve as Remarketing Agent and will receive an on-going fee for its remarketing services so long as it continues to serve as Remarketing Agent.

MISCELLANEOUS

Copies of the Indenture, the Financing Agreement, the Regulatory Agreement, the Credit Facility, the Security Instrument, the Note and the Reimbursement Agreement are on file at the office of the Trustee and are available for inspection upon request.

This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, as a whole or in part, for any other purpose. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Issuer and the purchasers or holders of any of the Bonds.

[Signature Page to Official Statement]

**THE HOUSING AUTHORITY OF THE
COUNTY OF LOS ANGELES**

By: _____

Executive Director

[Signatures continue on following page]

[Signature Page to Official Statement]

CASTAIC SENIOR COMMUNITIES, L.P.,
a California limited partnership

By: SANTA CLARITA VALLEY COMMITTEE ON
AGING CORPORATION,
a California nonprofit public benefit corporation,
its Managing General Partner

By: _____

Donald L. Kimball
its Vice President and
Executive Board Member

By: _____

Brad Berens
its Executive Director

By: CASTAIC SENIOR COMMUNITIES LLC,
a California limited liability company,
its Co-General Partner

By: COMMUNITY HOUSING
DEVELOPMENT GROUP, INC., a
California corporation,
its Member

By: _____

Jules Swimmer
its President

APPENDIX A

PROPOSED FORM OF BOND COUNSEL OPINION

[Subject to Bond Counsel review]

[Closing Date]

\$9,300,000

The Housing Authority of the County of Los Angeles
Variable Rate Demand Multifamily Housing Revenue Bonds
(Castaic Senior Apartments Project), Series 2003C

(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by The Housing Authority of the County of Los Angeles (the "Issuer") of its Variable Rate Demand Multifamily Housing Revenue Bonds (Castaic Senior Apartments Project), Series 2003C (the "Bonds") in the aggregate principal amount of \$9,300,000. The Bonds are issued pursuant to the provisions of Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California (the "Act"), and that certain Trust Indenture, dated as of June 1, 2003 (the "Indenture"), between the Issuer and U.S. Bank National Association, a national banking association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Financing Agreement, the Regulatory Agreement, the Tax Certificate, certificates of the Issuer, the Borrower, the Trustee and others, opinions of the Issuer's Counsel and counsel to the Borrower, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. We have assumed, without undertaking to verify, the genuineness of such documents, certificates and opinions presented to us (whether as originals or as copies) and of the signatures thereon, the accuracy of the factual matters represented, warranted or certified in such documents and certificates, the correctness of the legal conclusions contained in such opinions, and the due and legal execution of such documents and certificates by, and validity thereof against, any parties other than the Issuer.

The interest rate mode and certain other agreements, requirements and procedures contained or referred to in the Indenture, the Financing Agreement, the Regulatory Agreement, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, the defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. Furthermore, we have assumed compliance with the covenants and agreements contained in the Indenture, the Financing Agreement, the Regulatory

Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Financing Agreement, the Regulatory Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against counties in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the documents described herein nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or subject to the lien of the Trust Estate or the accuracy or sufficiency of the description contained therein of or scope of remedies available to enforce liens on any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Issuer, payable solely from the Trust Estate pledged therefor under the Indenture.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Indenture creates a valid pledge, to secure the payment of the principal of, premium, if any, and interest on the Bonds, of the Trust Estate established pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.
3. The Bonds are payable solely from and secured by the revenue pledged therefor under the Indenture and do not constitute a general or moral obligation of the Issuer or a charge upon its general fund; nor shall the full faith and credit of the Issuer be pledged to the payment thereof.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the exclusion from gross income of interest on any Bond for any period during which such Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities with respect to which proceeds of the Bonds were used or is a "related person." However, we observe that interest on the Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. We are also of the opinion that the Bonds and the income therefrom are exempt from all taxation by the State of California or any county or other political subdivision thereof, except inheritance, transfer and estate taxes and certain franchise taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,
ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following summary of the Indenture is a summary only and does not purport to be a complete statement of the contents thereof. Reference is made to the Indenture for the complete terms thereof.

Definitions

The following are definitions set forth in the Indenture and used in this Official Statement:

“*Account*” means an account established within a Fund.

“*Act*” means Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California.

“*Act of Bankruptcy*” means any proceeding instituted under the Bankruptcy Code or other applicable insolvency law by or against the Issuer.

“*Adjustment Date*” means any date on which the interest rate on the Bonds is adjusted to a different Mode or to a different Reset Rate. An Adjustment Date may only occur on an Interest Payment Date or, if such date is not a Business Day, the following Business Day. Any Reset Date and the Fixed Rate Adjustment Date are Adjustment Dates.

“*Advance*” means an advance made under the Credit Facility.

“*Affiliate*” as applied to any person means any other person directly or indirectly controlling, controlled by or under common control with that person. For the purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as applied to any person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that person, whether through the ownership of voting securities, partnership interests or by contract or otherwise.

“*Alternate Credit Facility*” means a letter of credit (whether or not so named), surety bond, insurance policy, standby bond purchase agreement, credit enhancement instrument, collateral purchase agreement, mortgage backed security or similar agreement, instrument or facility (other than the initial Credit Facility) provided in accordance with the Financing Agreement.

“*Alternate Credit Provider*” means the provider of an Alternate Credit Facility.

“*as their interests may appear*” or “*as its interest may appear*” means, with reference to any of the Assigned Rights, the respective interests, exclusive of the Reserved Rights of the Issuer, of Fannie Mae and of the Trustee to such documents and rights as set forth in the Assignment.

“*Assigned Rights*” has the meaning given to that term in the Assignment.

“*Assignment*” means the Assignment and Intercreditor Agreement, dated as of the date of the Indenture, among the Issuer, the Trustee and Fannie Mae, and acknowledged and agreed to by the Borrower, as it may be amended, supplemented or restated from time to time.

“*Authorized Borrower Representative*” means any person who, at any time and from time to time, is designated as the Borrower’s authorized representative by written certificate furnished to the Issuer, the Loan Servicer, the Construction Lender, the Credit Provider and the Trustee containing the specimen signature of such person and signed on behalf of the Borrower by or on behalf of any authorized general partner of the Borrower if the Borrower is a general or limited partnership, by any authorized managing member of the Borrower if the Borrower is a limited liability company, or by any authorized officer of the Borrower if the Borrower is a corporation, which certificate may

designate an alternate or alternates. The Trustee may conclusively presume that a person designated in a written certificate filed with it as an Authorized Borrower Representative is an Authorized Borrower Representative until such time as the Borrower files with it (with a copy to the Issuer, the Loan Servicer, the Construction Lender and the Credit Provider) a written certificate revoking such person's authority to act in such capacity.

“Authorized Construction Lender Representative” means any person from time to time designated to act on behalf of the Construction Lender by written certificate furnished to the Trustee and the Issuer containing the specimen signature of such person and authorized to act by resolution or other appropriate action of the Board of Directors of the Construction Lender or by its bylaws. Such resolution or other appropriate action may designate an alternate or alternates who shall have the same authority, duties and powers as the Authorized Construction Lender Representative. The Trustee may conclusively presume that a person designated in a written certificate filed with it as an Authorized Construction Lender Representative is an Authorized Construction Lender Representative until such time as such provider files with it and with the Issuer, the Loan Servicer and the Credit Provider a written certificate identifying a different person or persons to act in such capacity.

“Authorized Denomination” means (a) during any Weekly Variable Rate Period, \$100,000 or any integral multiple of \$5,000 in excess of \$100,000, and (b) during any Reset Period or the Fixed Rate Period, \$5,000 or any integral multiple of \$5,000.

“Authorized Officer” means the chairperson, vice chairperson, secretary and any other officer or employee of the Issuer designated by certificate of any of the foregoing as authorized by the Issuer to perform a specified act, sign a specified document or otherwise take action with respect to the Bonds.

“Available Moneys” means, as of any date of determination, any of (a) the proceeds of the Bonds, (b) remarketing proceeds received from the Remarketing Agent or any purchaser of Bonds (other than funds provided by the Borrower, the Issuer, any Affiliate of either the Borrower or the Issuer or any guarantor of the Loan), (c) moneys received by the Trustee pursuant to the Credit Facility, (d) any other amounts, including the proceeds of refunding bonds, for which, in each case, the Trustee has received an Opinion of Counsel acceptable to each Rating Agency to the effect that the use of such amounts to make payments on the Bonds would not violate Section 362(a) of the Bankruptcy Code (or that relief from the automatic stay provisions of such Section 362(a) would be available from the bankruptcy court) or be avoidable as preferential payments under Section 544, 547 or 550 of the Bankruptcy Code should the Issuer or the Borrower become a debtor in proceedings commenced under the Bankruptcy Code; and (e) Investment Income derived from the investment of moneys described in clause (a), (b), (c) or (d).

“Bankruptcy Code” means Title 11 of the United States Code entitled “Bankruptcy,” as in effect now and in the future, or any successor statute.

“Beneficial Owner” means, for any Bond which is held by a nominee, the beneficial owner of such Bond.

“BMA Index Rate” means the rate published in The Bond Market Association Municipal Swap Index, produced by Municipal Market Data, a Thomson Financial Services Company, or its successors.

“Bond” or *“Bonds”* means the Issuer’s Variable Rate Demand Multifamily Housing Revenue Bonds (Castaic Senior Apartments Project), Series 2003C in the original aggregate principal amount of \$9,300,000.

“Bond Counsel” means (i) on the Closing Date, the law firm or law firms delivering the approving opinion(s) with respect to the Bonds or (ii) after the Closing Date, any law firm selected by the Issuer and acceptable to the Credit Provider, of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of the interest payable on bonds issued by states and political subdivisions.

“Bond Documents” means the Assignment, the Bonds, the Bond Purchase Agreement, the Credit Facility, the Financing Agreement, the Indenture, the Regulatory Agreement (and any other agreement relating to rental restrictions on the Mortgaged Property), the Remarketing Agreement, the Tax Certificate, any Tender Agent Agreement, and all other documents, instruments and agreements executed and delivered in connection with the issuance, sale, delivery and/or remarketing of the Bonds, as each such agreement or instrument may be amended, supplemented or restated from time to time. Any Forward Commitment Deposit Fee Instrument (as that term is defined in the Reimbursement Agreement) is not a Bond Document.

“Bond Purchase Agreement” means the Bond Purchase Agreement, dated June __, 2003, among the Underwriter, the Issuer and the Borrower.

“Bond Purchase Fund” means the Bond Purchase Fund created and established by the Indenture.

“Bond Register” means the Bond Register maintained by the Trustee pursuant to the Indenture.

“Bond Resolution” means the resolution adopted by the Issuer on June 3, 2003, authorizing and approving the issuance and sale of the Bonds and the execution and delivery of the Indenture, the Assignment, the Bond Purchase Agreement, the Financing Agreement, the Loan Documents, the Regulatory Agreement, the Tax Certificate and certain other documents, making certain appointments and determining certain details with respect to the Bonds.

“Bondholder,” “holder,” “Owner,” “owner,” “Registered Owner” or “registered owner” means, with respect to any Bond, the owner of the Bond as shown on the Bond Register.

“Bondholder Tender Notice” means a written notice meeting the requirements of the Indenture.

“Book-Entry Bonds” means that part of the Bonds for which a Securities Depository or its nominee is the Bondholder.

“Book-Entry System” means an electronic system in which the clearance and settlement of securities transactions is made through electronic book-entry changes.

“Borrower” means Castaic Senior Communities, L.P., a California limited partnership, and its successors and assigns.

“Borrower Default” means a “Borrower Default” as defined under the Construction Phase Financing Agreement.

“Borrower Documents” means the Bond Documents to which the Borrower is a party, the Credit Facility Documents to which the Borrower is a party, the Construction Phase Credit Documents to which the Borrower is a party and the Loan Documents and all other documents to which the Borrower is a party and which are being executed and delivered by the Borrower in connection with the transactions provided for in the Bond Documents, the Loan Documents and the Credit Facility Documents. Any Forward Commitment Deposit Fee Instrument (as that term is defined in the Reimbursement Supplemental Agreement) is not a Borrower Document.

“Business Day” means any day other than (a) a Saturday or a Sunday, (b) any day on which banking institutions located in the City of New York, New York are required or authorized by law or executive order to close, (c) any day on which banking institutions located in the city or cities in which the Designated Office of the Trustee or the Remarketing Agent is located are required or authorized by law or executive order to close, (d) prior to the Fixed Rate Adjustment Date, a day on which the New York Stock Exchange is closed, (e) on or after the Conversion

Date, a day on which banking institutions located in the city in which the Designated Office of the Loan Servicer is located are required or authorized by law or executive order to close or (f) so long as a Credit Facility is in effect, any day on which the Credit Provider is closed.

“Capitalized Moneys Account” means the Capitalized Moneys Account of the Loan Fund.

“Certificate of Borrower” means the Certificate of Borrower dated the Closing Date, as it may be amended, supplemented or restated from time to time.

“Closing Date” means the date on which the Bonds are issued and delivered to or upon the order of the Underwriter.

“Code” means the Internal Revenue Code of 1986, as amended; each reference to the Code is deemed to include (a) any successor internal revenue law and (b) the applicable regulations, whether final, temporary or proposed under the Code or such successor law. Any reference to a particular provision of the Code is deemed to include any successor provision of any successor internal revenue law and applicable regulations, whether final, temporary or proposed under such provision or successor provision.

“Conditional Redemption” means a redemption where the Trustee has stated in the notice of redemption that the redemption is conditioned upon deposit of funds as further described in the Indenture.

“Conditions to Conversion” has the meaning given to that term in the Construction Phase Financing Agreement.

“Construction Lender” means U.S. Bank National Association, or its successors, assigns, as lender to the Borrower for the construction of the Project.

“Construction Phase” has the meaning given to that term in the Construction Phase Reimbursement Agreement.

“Construction Phase Credit Documents” means, individually and collectively, the Construction Phase Financing Agreement, the Letter of Credit, the Construction Phase Reimbursement Agreement, the Construction Phase Loan Agreement and all other documents evidencing, securing or otherwise relating to the Letter of Credit, including all amendments, modifications, supplements and restatements of such documents.

“Construction Phase Reimbursement Agreement” means the Reimbursement Agreement, dated as of June 1, 2003, between the Borrower and the Construction Lender, as such agreement may be amended, modified, supplemented or restated from time to time.

“Construction Phase Financing Agreement” means the Construction Phase Financing Agreement, dated as of June 1, 2003, among the Credit Provider, the Loan Servicer and the Construction Lender, as such agreement may be amended, modified, supplemented or restated from time to time.

“Construction Phase Loan Agreement” means the Construction Agreement between the Construction Lender and the Borrower, as such agreement may be amended, modified, supplemented or restated from time to time.

“Conversion” means the conversion of the Loan from the Construction Phase to the Permanent Phase.

“Conversion Date” means the date of the Conversion of the Loan pursuant to the Construction Phase Financing Agreement.

“Conversion Notice” means a written notice by the Loan Servicer to the Issuer, the Trustee, the Borrower, the Construction Lender and the Credit Provider given on or before the Termination Date (a) stating that each of the Conditions to Conversion has been satisfied on or before the Termination Date or, if any Condition to Conversion has not been satisfied on or before the

Termination Date, has been waived in writing by the Credit Provider on or before the Termination Date, (b) specifying the Conversion Date, and (c) providing the Schedule of Deposits to Principal Reserve Fund to be attached as an exhibit to the Reimbursement Agreement.

“*Costs of Issuance*” means:

(mm) the fees, costs and expenses of (i) the Issuer, the Issuer’s counsel and the Issuer’s financial advisor, if any, (ii) the Underwriter (including discounts to the Underwriter or other purchasers of the Bonds, other than original issue discount, incurred in the issuance and sale of the Bonds) and the Underwriter’s counsel, (iii) Bond Counsel, (iv) the Trustee and the Trustee’s counsel, (v) the Loan Servicer and the Loan Servicer’s counsel, if any, (vi) the Credit Provider and the Credit Provider’s counsel, (vii) the Borrower’s counsel and the Borrower’s financial advisor, if any, (viii) the Rating Agency, and (ix) the Construction Lender and the Construction Lender’s counsel;

(nn) costs of printing the offering documents relating to the sale of the Bonds; and

(oo) all other fees, costs and expenses directly associated with the authorization issuance, sale and delivery of the Bonds, including printing costs, costs of reproducing documents, filing and recording fees, and any fees, costs and expenses required to be paid to the Loan Servicer in connection with the origination of the Loan.

“*Costs of Issuance Deposit*” means the deposit to be made by the Borrower with the Trustee on the Closing Date to pay Costs of Issuance.

“*Costs of Issuance Fund*” means the Costs of Issuance Fund created and established by the Indenture.

“*Costs of the Project*” means the costs chargeable to the Mortgaged Property in accordance with generally accepted accounting principles, including, but not limited to, the costs of acquisition, construction, rehabilitation, reconstruction, restoration, repair, alteration, improvement and extension (in any of such events, “construction”) of any building, structure, facility or other improvement; stored materials for work in progress; the cost of machinery and equipment; the cost of the “Land” (as that term is defined in the Security Instrument), rights-in-lands, easements, privileges, agreements, franchises, utility extensions, disposal facilities, access roads and site development necessary or useful and convenient for the Mortgaged Property; financing costs, including, but not limited to, the Costs of Issuance, engineering and inspection costs; fees paid to the developer of the Mortgaged Property; organization, administrative, insurance, legal, operating, letter of credit and other expenses of the Borrower actually incurred prior to and during construction; and all such other expenses as may be necessary or incidental to the financing, acquisition, construction or completion of the Mortgaged Property or any part of it, including, but not limited to, the amount of interest expense incurred with respect to the Loan prior to the date the Mortgaged Property is placed in service; insurance premiums payable by the Borrower and taxes and other governmental charges levied on the Mortgaged Property.

“*Credit Facility*” means the Credit Enhancement Instrument, dated the Closing Date, issued by Fannie Mae to the Trustee, or any Alternate Credit Facility in effect at the time, as any such facility may be amended, supplemented or restated from time to time.

“*Credit Facility Account*” means the Credit Facility Account of the Revenue Fund.

“*Credit Facility Documents*” means the Reimbursement Agreement, the Certificate of Borrower, all Collateral Agreements (as that term is defined in the Security Instrument), the Construction Phase Financing Agreement, the Hedge Documents, the Hedge Security Agreement, the Hedge Reserve Escrow Account Security Agreement, the Operating Reserve and Security Agreement,

the Pledge Agreement and all other agreements and documents securing the Credit Provider or otherwise relating to the provision of the Credit Facility, as any such agreement may be amended, supplemented or restated from time to time. Any Forward Commitment Deposit Fee Instrument (as that term is defined in the Reimbursement Agreement) is not a Credit Facility Document.

“*Credit Provider*” means, so long as the initial Credit Facility is in effect, Fannie Mae, or so long as any Alternate Credit Facility is in effect, the Alternate Credit Provider then obligated under the Alternate Credit Facility.

“*Custodian*” means the custodian under the Pledge Agreement.

“*DTC*” means The Depository Trust Company and any successor to it or any nominee of it.

“*DTC Participant*” has the meaning given to that term in the Indenture.

“*Designated Office*” of the Trustee, the Tender Agent, the Remarketing Agent or the Loan Servicer means, respectively, the office of the Trustee, the Tender Agent, the Remarketing Agent or the Loan Servicer at the respective address set forth in the Indenture or at such other address as may be specified in writing by the Trustee, the Tender Agent, the Remarketing Agent or the Loan Servicer, as applicable, as provided in the Indenture.

“*Electronic Means*” means a facsimile transmission or any other electronic means of communication approved in writing by the Credit Provider.

“*Event of Default*” means, as used in any Transaction Document, any event described in that document as an Event of Default. Any “Event of Default” as described in any Transaction Document is not an “Event of Default” in any other Transaction Document unless that other Transaction Document specifically so provides.

“*Extension Date*” means, with respect to an Alternate Credit Facility, the date which is five Business Days prior to the expiration date of the Alternate Credit Facility.

“*Extraordinary Items*” means, with respect to the Trustee, reasonable compensation for extraordinary services and/or reimbursement for reasonable extraordinary costs and expenses, including the fees and expenses of its counsel.

“*Facility Fee*” means the monthly fee owed to the Credit Provider by the Borrower pursuant to the Reimbursement Agreement.

“*Fannie Mae*” means Fannie Mae, a corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C., § 1716 et seq., and its successors and assigns.

“*Fees Account*” means the Fees Account of the Revenue Fund.

“*Fees and Expenses*” means the fees, advances, out-of-pocket expenses, costs and other charges payable by the Borrower from time to time pursuant to the Financing Agreement.

“*Financing Agreement*” means the Financing Agreement, dated as of the date of the Indenture, among the Issuer, the Trustee and the Borrower, as amended, supplemented or restated from time to time.

“*Fixed Rate*” means the rate of interest borne by the Bonds as determined in accordance with the Indenture.

“*Fixed Rate Adjustment Date*” means the date on which the interest rate on the Bonds adjusts from the Weekly Variable Rate or a Reset Rate to the Fixed Rate pursuant to the Indenture.

“*Fixed Rate Period*” means the period beginning on the Fixed Rate Adjustment Date and ending on the Maturity Date.

“*Fund*” means any fund created and established by the Indenture.

“Government Obligations” means direct obligations of, and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by, the full faith and credit of the United States of America.

“Hedge Documents” has the meaning given that term in the Hedge Security Agreement.

“Hedge Reserve Escrow Account Security Agreement” means the Hedge Reserve Escrow Account Security Agreement, dated as of the date of the Indenture, among the Borrower, the Loan Servicer and Fannie Mae, as amended, supplemented or restated from time to time.

“Hedge Security Agreement” means the Hedge Security Agreement dated as of the date of the Indenture among the Borrower, the Loan Servicer and Fannie Mae.

“Highest Rating Category” has the meaning, with respect to an Investment, given in this definition. If the Bonds are rated by a Rating Agency, the term “Highest Rating Category” means, with respect to an Investment, that the Investment is rated by each Rating Agency in the highest rating given by that Rating Agency for that general category of security. If at any time the Bonds are not rated (and, consequently, there is no Rating Agency), then the term “Highest Rating Category” means, with respect to an Investment, that the Investment is rated by S&P or Moody’s in the highest rating given by that rating agency for that general category of security. By way of example, the Highest Rating Category for tax-exempt municipal debt established by S&P is “A-1+” for debt with a term of one year or less and “AAA” for a term greater than one year, with corresponding ratings by Moody’s of “MIG-1” (for fixed rate) or “VMIG-1” (for variable rate) for one year or less and “Aaa” for greater than one year. If at any time (i) the Bonds are not rated, (ii) both S&P and Moody’s rate an Investment and (iii) one of those ratings is below the Highest Rating Category, then such Investment will, nevertheless, be deemed to be rated in the Highest Rating Category if the lower rating is no more than one rating category below the highest rating category of that rating agency. For example, an Investment rated “AAA” by S&P and “Aa3” by Moody’s is rated in the Highest Rating Category. If, however, the lower rating is more than one full rating category below the Highest Rating Category of that rating agency, then the Investment will be deemed to be rated below the Highest Rating Category. For example, an Investment rated “AAA” by S&P and “A1” by Moody’s is not rated in the Highest Rating Category.

“Indenture” means the Trust Indenture, dated as of June 1, 2003, between the Issuer and the Trustee, pursuant to which the Bonds have been issued, as amended, supplemented or restated from time to time.

“Interest Account” means the Interest Account of the Revenue Fund.

“Interest Payment Date” means (a) during any Weekly Variable Rate Period, the 15th day of each calendar month, commencing July 15, 2003; (b) during any Reset Period and during the Fixed Rate Period each June 15 and December 15 following the Adjustment Date, provided that the first Interest Payment Date during any such period may only occur on a date which is at least 30 days after the Adjustment Date; (c) each Adjustment Date; (d) for Bonds subject to redemption in whole or in part on any date, the date of such redemption; (e) the Maturity Date; and (f) for all Bonds, any date determined pursuant to the Indenture.

“Interest Requirement” means (a) during the Weekly Variable Rate Period, 35 days’ interest on the Bonds at the Maximum Rate on the basis of a 365 or 366 day year, as applicable, for the actual number of days elapsed and (b) during a Reset Period or the Fixed Rate Period, 210 days’ interest at, respectively, the Reset Rate or the Fixed Rate, as the case may be, on the basis of a year of 360 days of twelve 30 day months; or, in the case of either (a) or (b), such other number of days as may be required by the Rating Agency.

“Investment” means any Permitted Investment and any other investment held under the Indenture that does not constitute a Permitted Investment.

“Investment Agreement” means a Permitted Investment described in paragraph (g) of the definition of the term “Permitted Investments.”

“Investment Income” means the earnings, profits and accreted value derived from the investment of moneys pursuant to the Indenture.

“Issuer” means The Housing Authority of the County of Los Angeles, a public body corporate and politic, and its successors and assigns.

“Issuer Documents” means the Assignment, the Bonds, Financing Agreement, the Indenture, the Loan Documents to which the Issuer is a party, the Regulatory Agreement and the Tax Certificate.

“Issuer’s Fee” means the Issuer’s annual fee payable by the Borrower under the Financing Agreement.

“Letter of Credit” means, individually or collectively, as the context may require, the letter of credit to be issued and delivered by or on behalf of the Construction Lender pursuant to, and which satisfies all requirements of, the Construction Phase Financing Agreement, any amendment to the letter of credit and any replacement letter of credit, and any confirmation of the Letter of Credit issued and delivered in accordance with the Construction Phase Financing Agreement.

“Letter of Representations” means, when all the Bonds are Book-Entry Bonds, the Letter of Representations executed by the Issuer and the Trustee, separately or jointly, and delivered to the Securities Depository, as amended, supplemented or restated from time to time, or any agreement entered into in substitution therefor.

“Loan” means the loan made by the Issuer to the Borrower pursuant to the Financing Agreement for the purpose of providing funds to the Borrower to finance the construction, equipping and permanent financing of the Mortgaged Property.

“Loan Documents” means, collectively, the Note, the Security Instrument and all other documents, agreements and instruments evidencing, securing or otherwise relating to the Loan, as each such document, agreement or instrument may be amended, supplemented or restated from time to time. Neither the Financing Agreement nor the Regulatory Agreement is a Loan Document and neither document is secured by the Security Instrument.

“Loan Fund” means the Loan Fund created under the Indenture.

“Loan Servicer” means the multifamily mortgage loan servicer designated from time to time by the Credit Provider.

“Mandatory Tender Date” means any date on which Bonds are required to be tendered pursuant to the Indenture, including any Adjustment Date, Substitution Date, Extension Date or date specified by the Trustee as provided in the Indenture as described herein under the heading “THE BONDS—Mandatory Tender and Purchase—Mandatory Tender Upon Default; Notice.”

“Maturity Date” means, June 15, 2036, or in the event the Bonds are adjusted to the Fixed Rate Mode and a Sinking Fund Schedule is established, the maturity date of all serial Bonds, if any.

“Maximum Rate” means 12% per annum; provided, however, that the Maximum Rate may be increased if the Trustee receives (a) the written consent of the Credit Provider and the Borrower to a specified higher Maximum Rate, not to exceed the lesser of the maximum rate permitted by law to be paid on the Bonds and the maximum rate chargeable on the Loan, (b) an opinion of Bond Counsel to the effect that such higher Maximum Rate is permitted by law and will not adversely affect either the validity of the Bonds or the exclusion of the interest payable on the Bonds from gross income for federal income tax purposes, and (c) a new or amended Credit

Facility in an amount equal to the sum of (i) the then outstanding principal amount of the Bonds and (ii) the new Interest Requirement calculated using the new Maximum Rate.

“*Mode*” means any of the Weekly Variable Rate, the Reset Rate and the Fixed Rate.

“*Moody’s*” means Moody’s Investors Service, Inc., a Delaware corporation, and its successors and assigns, or if it is dissolved or no longer assigns credit ratings, then any other nationally recognized statistical rating agency, designated by the Credit Provider, as assigns credit ratings.

“*Mortgaged Property*” means the real property described in the Security Instrument, together with all improvements, fixtures and personal property (to the extent of the Borrower’s interest therein) and located on such real property.

“*Net Bond Proceeds*” means the total proceeds derived from the issuance, sale and delivery of the Bonds, representing the total purchase price of the Bonds, including any premium paid as part of the purchase price of the Bonds, but excluding the accrued interest, if any, on the Bonds paid by the initial purchaser(s) of the Bonds.

“*Note*” means the Multifamily Note (together with all addenda thereto), dated the date of the Indenture, executed by the Borrower in favor of the Issuer, as it may be amended, supplemented or restated from time to time or any mortgage note executed in substitution therefor in accordance with the Bond Documents, as such substitute note may be amended, supplemented or restated from time to time.

“*Note Interest*” has the meaning given to that term in the Note.

“*Operating Reserve and Security Agreement*” means the Operating Reserve and Security Agreement dated as of the date of the Indenture, among the Borrower, the Loan Servicer and the Credit Provider, as such agreement may be amended, supplemented or restated from time to time, or any agreement entered into in substitution therefor.

“*Opinion of Counsel*” means a written opinion of legal counsel, acceptable to the recipient(s) of such opinion. If the opinion is with respect to an interpretation of federal tax laws or regulations or bankruptcy matters, such legal counsel also must be an attorney or firm of attorneys experienced in such matters.

“*Outstanding*” means, when used with reference to the Bonds at any date as of which the amount of Outstanding Bonds is to be determined, all Bonds which have been authenticated and delivered under the Indenture except:

- (pp) Bonds cancelled or delivered for cancellation at or prior to such date;
- (qq) Bonds deemed to be paid in accordance with the Indenture; and
- (rr) Bonds in lieu of which others have been authenticated under the Indenture.

In determining whether the owners of a requisite aggregate principal amount of Outstanding Bonds have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions of the Indenture, Bonds which are owned or held by or for the account of the Borrower and Pledged Bonds will be disregarded and deemed not to be Outstanding under the Indenture for the purpose of any such determination unless all Bonds are Pledged Bonds, Bonds owned or held by or for the account of the Borrower or a combination of Pledged Bonds and Bonds owned by or held for the account of the Borrower. In determining whether the Trustee will be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds that are registered in the name of or known by the Trustee to be held for the account of the Borrower, including Pledged Bonds, will be disregarded.

“*Permitted Investments*” means, to the extent authorized by law for investment of moneys of the Issuer:

(ss) Government Obligations.

(tt) Direct obligations of, and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by, any agency or instrumentality of the United States of America (other than the Federal Home Loan Mortgage Corporation) or direct obligations of the World Bank, which obligations are rated in the Highest Rating Category.

(uu) Obligations, in each case rated in the Highest Rating Category, of (i) any state or territory of the United States of America, (ii) any agency, instrumentality, authority or political subdivision of a state or territory or (iii) any public benefit or municipal corporation the principal of and interest on which are guaranteed by such state or political subdivision.

(vv) Any written repurchase agreement entered into with a Qualified Financial Institution whose unsecured short term obligations are rated in the Highest Rating Category.

(ww) Commercial paper rated in the Highest Rating Category.

(xx) Interest bearing negotiable certificates of deposit, interest bearing time deposits, interest bearing savings accounts and bankers’ acceptances, issued by a Qualified Financial Institution if either (i) the Qualified Financial Institution’s unsecured short term obligations are rated in the Highest Rating Category or (ii) such deposits, accounts or acceptances are fully insured by the Federal Deposit Insurance Corporation.

(yy) An agreement held by the Trustee for the investment of moneys at a guaranteed rate with (i) the Credit Provider or (ii) a Qualified Financial Institution whose unsecured long term obligations are rated in the Highest Rating Category or the Second Highest Rating Category, or whose obligations are unconditionally guaranteed or insured by a Qualified Financial Institution whose unsecured long term obligations are rated in the Highest Rating Category or Second Highest Rating Category; provided that such agreement is in a form acceptable to the Credit Provider; and provided further that such agreement includes the following restrictions:

(x) the invested funds will be available for withdrawal without penalty or premium, at any time that (A) the Trustee is required to pay moneys from the Fund(s) established under the Indenture to which the agreement is applicable, or (B) any Rating Agency indicates that it will lower or actually lowers, suspends or withdraws the rating on the Bonds on account of the rating of the Qualified Financial Institution providing, guaranteeing or insuring, as applicable, the agreement;

(xi) the agreement, and if applicable the guarantee or insurance, is an unconditional and general obligation of the provider and, if applicable, the guarantor or insurer of the agreement, and ranks *pari passu* with all other unsecured unsubordinated obligations of the provider, and, if applicable, the guarantor or insurer of the agreement;

(xii) the Trustee receives an Opinion of Counsel, which may be subject to customary qualifications, that such agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and, if applicable, an Opinion of Counsel that any guaranty or insurance policy provided by a guarantor or insurer is legal, valid, binding and enforceable upon the guarantor or insurer in accordance with its terms; and

(xiii) the agreement provides that if during its term the rating of the Qualified Financial Institution providing, guaranteeing or insuring, as applicable, the agreement, is withdrawn, suspended by any Rating Agency or falls below the Second Highest Rating Category, the provider must, within 10 days, either: (A) collateralize the agreement (if the agreement is not already collateralized) with Permitted Investments described in paragraph (a) or (b) by depositing collateral with the Trustee or a third party custodian, such collateralization to be effected in a manner and in an amount sufficient to maintain the then current rating of the Bonds, or, if the agreement is already collateralized, increase the collateral with Permitted Investments described in paragraph (a) or (b) by depositing collateral with the Trustee or a third party custodian, so as to maintain the then current rating of the Bonds, (B) at the request of the Trustee or the Credit Provider repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium unless required by law or (C) transfer the agreement, guarantee or insurance, as applicable, to a replacement provider, guarantor or insurer, as applicable, then meeting the requirements of a Qualified Financial Institution and whose unsecured long-term obligations are then rated in the Highest Rating Category or the Second Highest Rating Category. The agreement may provide that the downgraded provider may elect which of the remedies to the downgrade (other than the remedy set out in (B)) to perform.

Notwithstanding anything else in this paragraph (g) to the contrary and with respect only to any agreement described in this paragraph or any guarantee or insurance for any such agreement which is to be in effect for any period after the Conversion Date, any reference in this paragraph to the "Second Highest Rating Category" will be deemed deleted so that the only acceptable rating category for such an agreement, guarantee or insurance will be the Highest Rating Category.

(zz) Subject to the ratings requirements set forth in this definition, shares in any money market mutual fund (including those of the Trustee or any of its affiliates) registered under the Investment Company Act of 1940, as amended, that have been rated AAAM G or AAAM by S&P or Aaa by Moody's so long as the portfolio of such money market mutual fund is limited to Government Obligations and agreements to repurchase Government Obligations. If approved in writing by the Credit Provider, a money market mutual fund portfolio may also contain obligations and agreements to repurchase obligations described in paragraph (b) or (c). If the Bonds are rated by a Rating Agency, the money market mutual fund must be rated AAAM G or AAAM by S&P, if S&P is a Rating Agency, or Aaa by Moody's, if Moody's is a Rating Agency. If at any time the Bonds are not rated (and, consequently, there is no Rating Agency), then the money market mutual fund must be rated AAAM G or AAAM by S&P or Aaa by Moody's. If at any time (i) the Bonds are not rated, (ii) both S&P and Moody's rate a money market mutual fund and (iii) one of those ratings is below the level required by this paragraph, then such money market mutual fund will, nevertheless, be deemed to be rated in the Highest Rating Category if the lower rating is no more than one rating category below the highest rating category of that rating agency.

(aaa) Any other investment authorized by the laws of the State, if such investment is approved in writing by the Construction Lender, the Credit Provider and each Rating Agency.

Permitted Investments shall not include any of the following:

(1) Except for any investment described in the next sentence, any investment with a final maturity or any agreement with a term greater than one year from the date of the investment. This exception shall not apply to any obligation that provides for the optional or mandatory tender, at par, by the holder of such obligation at least once within one year of the date of purchase, Government Obligations irrevocably deposited with the Trustee for payment of Bonds pursuant to the Indenture, and Permitted Investments listed in paragraphs (g) and (i);

- (2) Except for any obligation described in paragraph (a) or (b), any obligation with a purchase price greater or less than the par value of such obligation;
- (3) Any asset backed security, including mortgage backed securities, real estate mortgage investment conduits, collateralized mortgage obligations, credit card receivable asset backed securities and auto loan asset backed securities;
- (4) Any interest only or principal only stripped security;
- (5) Any obligation bearing interest at an inverse floating rate;
- (6) Any investment which may be prepaid or called at a price less than its purchase price prior to stated maturity;
- (7) Any investment the interest rate on which is variable and is established other than by reference to a single index plus a fixed spread, if any, and which interest rate moves proportionately with that index;
- (8) Any investment described in paragraph (d) or (g) with, or guaranteed or insured by, a Qualified Financial Institution described in clause (iv) of the definition of Qualified Financial Institution if such institution does not agree to submit to jurisdiction, venue and service of process in the United States of America in the agreement relating to the investment; and
- (9) Any investment to which S&P has added an “r” or “t” highlighter.

“*Person*” means a natural person, estate, trust, corporation, partnership, limited liability company, association, public body or any other organization or entity (whether governmental or private).

“*Pledge Agreement*” means the Pledged Bonds, Custody and Security Agreement, dated as of the date of the Indenture, among the Borrower, U.S. Bank National Association, as collateral agent for the Credit Provider, and the Credit Provider, as such agreement may be amended, supplemented or restated from time to time, or any agreement entered into in substitution therefor.

“*Pledged Bond*” means any Bond during the period from and including the date of its purchase by the Trustee on behalf of and as agent for the Borrower with the proceeds of an Advance under the Credit Facility, to, but excluding, the date on which the Pledged Bonds Advance made by the Credit Provider on account of such Pledged Bond is reinstated under the Credit Facility.

“*Potential Default*” means, as used in any Transaction Document, any event that has occurred which, with the giving of notice or the passage of time or both, would constitute an Event of Default as described in that document. Any “Potential Default” as described in any Transaction Document is not a “Potential Default” in any other Transaction Document unless that other Transaction Document specifically so provides.

“*Pre-Conversion Loan Equalization Payment*” has the meaning given to that term in the Note.

“*Preference Claim*” has the meaning given that term in the Indenture.

“*Principal Amount*” means \$9,300,000, the original principal amount of the Bonds on the Closing Date.

“*Principal Reserve Amount*” means an amount equal to \$_____.

“*Principal Reserve Fund*” means the Principal Reserve Fund created and established by the Indenture.

“*Principal Reserve Schedule*” means the Schedule of Deposits to Principal Reserve Fund attached to the Reimbursement Agreement, as such schedule may be amended, supplemented or restated from time to time.

“*Project Account*” means the Project Account of the Loan Fund.

“Qualified Financial Institution” means any of: (a) bank or trust company organized under the laws of any state of the United States of America, (b) national banking association, (c) savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America, (d) federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions of law or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, (e) government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, (f) securities dealer approved in writing by the Credit Provider the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation and (g) any other entity which is acceptable to the Construction Lender and the Credit Provider. With respect to an entity which provides an agreement held by the Trustee for the investment of moneys at a guaranteed rate as set out in paragraph (g) of the definition of the term “Permitted Investments” or an entity which guarantees or insures, as applicable, the agreement, a “Qualified Financial Institution” may also be a corporation or limited liability company organized under the laws of any state of the United States of America.

“Rate Determination Date” means (i) with respect to the Weekly Variable Rate, Wednesday of each week, or if such Wednesday is not a Business Day, the first Business Day immediately preceding such Wednesday; provided, however, that upon any adjustment to the Weekly Variable Rate Mode from a Reset Rate, the first Rate Determination Date will be the Business Day prior to the Adjustment Date, and (ii) with respect to any Reset Rate and the Fixed Rate, the date selected by the Remarketing Agent which date must be a Business Day not less than five Business Days prior to the Adjustment Date.

“Rating Agency” means any nationally recognized statistical rating agency then maintaining a rating on the Bonds.

“Rebate Analyst” means a Person that is (i) qualified and experienced in the calculation of rebate payments under Section 148 of the Code and compliance with the arbitrage rebate regulations promulgated under the Code, (ii) chosen by the Borrower, with the approval of the Issuer and (iii) engaged for the purpose of determining the amount of required deposits, if any to the Rebate Fund.

“Rebate Analyst’s Fee” means the annual fee of the Rebate Analyst, as provided in an agreement with the Rebate Analyst.

“Rebate Fund” means the Rebate Fund created under the Indenture.

“Record Date” means, with respect to any Interest Payment Date, (a) if the Bonds bear interest at the Weekly Variable Rate, the Business Day before the Interest Payment Date and (b) if the Bonds bear interest at a Reset Rate or the Fixed Rate, the first day of the month in which the Interest Payment Date occurs.

“Redemption Account” means the Redemption Account of the Revenue Fund.

“Redemption Date” means any date upon which Bonds are to be redeemed pursuant to the Indenture.

“Regulatory Agreement” means the Regulatory Agreement and Declaration of Restrictive Covenants relating to the Mortgaged Property, dated as of June 1, 2003, by the Issuer, the Trustee and the Borrower, as it may be amended, supplemented or restated from time to time.

“Reimbursement Agreement” means the Reimbursement Agreement, dated as of the date of the Indenture, between the Credit Provider and the Borrower, as amended, supplemented or restated from time to time, or any agreement entered into in substitution therefor.

“Remarketing Agent” means Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp., or any successor as Remarketing Agent designated in accordance with the Indenture.

“Remarketing Agent’s Fee” means the fee of the Remarketing Agent for its remarketing services.

“Remarketing Agreement” means the Remarketing Agreement, dated as of the date of the Indenture, between the Borrower and the Remarketing Agent, as amended, supplemented or restated from time to time, or any agreement entered into in substitution therefor.

“Remarketing Notice Parties” means the Borrower, Issuer, Trustee, Tender Agent, Remarketing Agent, Construction Lender, Credit Provider and Loan Servicer.

“Reserved Rights” means those certain rights of the Issuer under the Financing Agreement to indemnification and to payment or reimbursement of fees and expenses of the Issuer, its right to receive notices and to enforce notice and reporting requirements, its right to inspect and audit the books, records and premises of the Borrower and of the Mortgaged Property, its right to collect attorneys’ fees and related expenses, its right to specifically enforce the Borrower’s covenant to comply with applicable federal tax law and State law (including the Act and the rules and regulations of the Issuer, if any), and its right to give or withhold consent to amendments, changes, modifications and alterations to the Financing Agreement relating to the Reserved Rights.

“Reset Date” means any date upon which the Bonds begin to bear interest at a Reset Rate for the Reset Period then beginning.

“Reset Period” means each period of 10 years or more selected by the Borrower, or such shorter period as may be selected by the Borrower with the prior written consent of the Credit Provider, during which the Bonds bear interest at a Reset Rate.

“Reset Rate” means the rate of interest borne by the Bonds as determined in accordance with the Indenture.

“Revenue Fund” means the Revenue Fund created and established by the Indenture.

“Revenues” means all (i) payments made under the Credit Facility, (ii) Investment Income (excluding Investment Income earned from moneys on deposit in the Principal Reserve Fund, the Rebate Fund, the Fees Account and the Costs of Issuance Fund, but including Investment Income earned on Net Bond Proceeds deposited into the Costs of Issuance Fund and Investment Income on such Investment Income) and (iii) payments made under the Note.

“Second Highest Rating Category” means, with respect to an Investment, that the Investment is rated by each Rating Agency in the second highest rating category given by that Rating Agency for that general category of security. If at any time the Bonds are not rated (and, consequently, there is no Rating Agency), then the term “Second Highest Rating Category” means, with respect to an Investment, that the Investment is rated by S&P or Moody’s in the second highest rating category given by that rating agency for that general category of security. By way of example, the Second Highest Rating Category for tax-exempt municipal debt established by S&P is “AA” for a term greater than one year, with corresponding ratings by Moody’s of “Aa.” If at any time (i) the Bonds are not rated, (ii) both S&P and Moody’s rate an Investment and (iii) one of those ratings is below the Second Highest Rating Category, then such Investment will not be deemed to be rated in the Second Highest Rating Category. For example, an Investment rated “AA” by S&P and “A” by Moody’s is not rated in the Second Highest Rating Category.

“Securities Depository” means, initially, DTC, and its successors and assigns, and any replacement securities depository appointed under the Indenture.

“Security” means the Trust Estate and the Credit Facility.

“Security Instrument” means the Multifamily Deed of Trust Assignment of Rents, Security Agreement and Fixture Filing (California), dated as of June 1, 2003, together with all riders and exhibits, securing the Note and the obligations of the Borrower to the Credit Provider under the Credit Facility Documents, executed by the Borrower with respect to the Mortgaged Property, as it may be amended, supplemented or restated from time to time, or any security instrument executed in substitution therefor, as such substitute security instrument may be amended, supplemented or restated from time to time.

“Sinking Fund Payment” means, as of any particular date of calculation, the amount required to be paid by the Issuer on a single future date for the retirement of Outstanding Bonds which mature after such future date, but excluding any amount payable by the Issuer by reason of the maturity of a Bond or by optional redemption at the election of the Issuer.

“Sinking Fund Payment Date” means, any of the dates on which any of the Bonds matures or is subject to redemption through the application of Sinking Fund Payments as set out in a Sinking Fund Schedule.

“Sinking Fund Schedule” means a schedule of principal amounts of Bonds to mature or be subject to redemption through the application of Sinking Fund Payments on the specified dates and/or a schedule of principal amounts of Bonds maturing as serial Bonds.

“S&P” means Standard & Poor’s Ratings Services, a Division of The McGraw Hill Companies, Inc., and its successors and assigns, or if it is dissolved or no longer assigns credit ratings, then any other nationally recognized statistical rating agency, designated by the Credit Provider, as assigns credit ratings.

“State” means the State of California.

“Substitution Date” means the date upon which an Alternate Credit Facility is to be substituted for the Credit Facility then in effect, which date must be an Interest Payment Date during a Weekly Variable Rate Period or an Adjustment Date which immediately follows a Reset Period.

“Tax Certificate” means the Tax Certificate and Agreement, dated the Closing Date, executed and delivered by the Issuer and the Borrower, as amended, supplemented or restated from time to time.

“Tax Event” has the meaning given to that term in the Indenture.

“Tender Agent” means the Tender Agent named in the Indenture or its successor as Tender Agent under the Indenture named in accordance with such Article in the Indenture.

“Tender Agent Agreement” means any Tender Agent Agreement entered into by the Issuer, the Trustee and the Tender Agent in the event that the Trustee does not serve as Tender Agent under the Indenture, as such agreement may be amended, supplemented or restated from time to time.

“Tender Agent’s Annual Fee” means the annual ongoing fee of the Tender Agent, payable by the Borrower as provided in the Financing Agreement, computed and payable semiannually in advance on each June 15 and December 15.

“Tender Date” means any Mandatory Tender Date or any other date on which Bondholders are permitted under the Indenture to tender their Bonds for purchase.

“Tendered Bond” means any Bond that has been tendered for purchase pursuant to the Indenture.

“Termination Date” has the meaning given to that term in the Construction Phase Financing Agreement.

“Third Party Fees” has the meaning given to that term in the Indenture.

“Transaction Documents” means the Bond Documents, the Loan Documents and the Credit Facility Documents.

“*Trust Estate*” means the property, interests, rights, money, securities and other amounts pledged and assigned pursuant to the Indenture and the property, rights, money, securities and other amounts pledged and assigned by the Issuer to the Trustee and the Credit Provider pursuant to the Assignment.

“*Trustee*” means U.S. Bank National Association, a national banking association, duly organized and existing under the laws of the United States of America, or its successors or assigns, or any other corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at any time serving as successor trustee under the Indenture.

“*Trustee’s Annual Fee*” means the annual ongoing trust administration fee of the Trustee equal to \$2,500, payable by the Borrower as provided in the Financing Agreement, payable semiannually in advance on each June 15 and December 15.

“*UCC*” means the Uniform Commercial Code of the State as in effect now or in the future, whether or not such Uniform Commercial Code is applicable to the parties or the transactions.

“*Underwriter*” means Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp.

“*Week*” means any seven day period during a Weekly Variable Rate Period beginning on Thursday and ending on and including the following Wednesday, except that:

(bbb) the first Week will begin on the Closing Date and end on and include the following Wednesday;

(ccc) the first Week of a Weekly Variable Rate Period immediately following an Adjustment Date will begin on such Adjustment Date and end on and include the following Wednesday;

(ddd) any Week ending immediately before an Adjustment Date will begin on a Thursday and end on the day before such Adjustment Date;

(eee) the final Week will begin on a Thursday and end on the earlier of an Adjustment Date or the Maturity Date; and

(fff) the first and last Weeks of a Weekly Variable Rate Period may consist of more (but not more than 13) or less than seven days.

“*Weekly Variable Rate*” means the variable rate of interest per annum for the Bonds determined from time to time during the Weekly Variable Rate Period in accordance with the Indenture.

“*Weekly Variable Rate Period*” means the period commencing on the Closing Date or an Adjustment Date on which the interest rate on the Bonds is adjusted from the Reset Rate to the Weekly Variable Rate and ending on the day preceding the following Adjustment Date or the Maturity Date.

“*Wrongful Dishonor*” means an uncured failure by the Credit Provider to make an Advance to the Trustee upon proper presentation of documents which conform to the terms and conditions of the Credit Facility.

Funds and Accounts

The following Funds and Accounts are created under the Indenture with the Trustee:

(ggg) the Loan Fund and within the Loan Fund, the Project Account and Capitalized Moneys Account;

(hhh) the Revenue Fund and within the Revenue Fund, the Interest Account, the Credit Facility Account, the Redemption Account and the Fees Account;

(iii) the Costs of Issuance Fund;

(jjj) the Rebate Fund;

(kkk) so long as any Bonds are Outstanding and have not been adjusted to the Fixed Rate, the Bond Purchase Fund; and

(III) the Principal Reserve Fund.

The Trustee shall hold and administer the Funds and Accounts in accordance with the Indenture.

Initial Deposits

On the Closing Date, the Trustee shall make the following deposits:

(a) \$_____ into the Project Account of the Loan Fund from the Net Bond Proceeds;

(b) \$_____ into the Capitalized Moneys Account in the Loan Fund from Net Bond Proceeds; and

(c) \$_____ into the Costs of Issuance Fund received from the Borrower and representing the Costs of Issuance Deposit

The Loan Fund

Disbursements from the Capitalized Moneys Account. Until the earlier of (i) the depletion of the Capitalized Moneys Account and (ii) the Conversion Date (the Conversion Date being included as a date on which or for which, as the case may be, the Trustee is directed to perform this function), the Trustee shall automatically transfer amounts on deposit in the Capitalized Moneys Account as follows:

(xiv) *Interest on the Note.* Not later than three (3) Business Days prior to each Interest Payment Date, the Trustee shall transfer to the Interest Account an amount equal to the interest which shall be payable on such Interest Payment Date by the Borrower under the Note;

(xv) *Facility Fee to the Credit Provider.* Not later than three (3) Business Days prior to each Interest Payment Date, the Trustee shall transfer to the Interest Account an amount equal to the amount of the Facility Fee payable to the Credit Provider under the Reimbursement Agreement; and

(xvi) *Certain Other Fees.* Not later than three (3) Business Days prior to the date on which any Third Party Fee is due, the Trustee shall transfer to the Fees Account, the amount of such Third Party Fee.

Transfers from the Capitalized Moneys Account shall, so long as the Letter of Credit is outstanding, be made no later than three Business Days prior to the respective dates on which such payments are due. The Trustee shall immediately notify the Construction Lender and Fannie Mae if sufficient funds are not available to make the transfers as and when required by this paragraph.

Disbursements from the Project Account. The Trustee shall disburse amounts on deposit in the Project Account as provided in this subsection for the sole purpose of paying Costs of the Project.

(xvii) *Requisitions.* The Trustee shall make disbursements from the Project Account only upon the receipt of Requisitions, each in the form attached to the Indenture as Exhibit B, signed by an Authorized Borrower Representative and countersigned by an Authorized Construction Lender Representative. The Trustee shall have no duty to determine whether any requested disbursement from the Project Account complies with the Construction Phase Credit Documents. The countersignature of the Authorized Construction Lender Representative on a Requisition shall be deemed a certification and, insofar as the Trustee and the Issuer are concerned, constitute conclusive evidence, that all of the terms, conditions and requirements of the Construction Phase Credit Documents applicable to the disbursement have been fully satisfied or waived. The Trustee shall, immediately upon each receipt of a completed Requisition signed by the Authorized Borrower Representative and countersigned by an Authorized Construction Lender Representative, initiate procedures with the provider of the Investment Agreement applicable to the Loan Fund, if any, to make withdrawals under that Investment Agreement as necessary to fund the Requisition.

(xviii) *Timing.* If a Requisition signed by the Authorized Borrower Representative and countersigned by an Authorized Construction Lender Representative is received by the Trustee by noon, prevailing California time, on any given Business Day, the Trustee shall pay the requested disbursement within two Business Days (for this purpose, including in the definition of “Business Day” only clauses (i) and (iii) of such definition), or, if an Investment Agreement is in effect with respect to such funds, within two Business Days after funds are received by the Trustee from the provider of the relevant Investment Agreement. If a Requisition signed by the Authorized Borrower Representative and countersigned by an Authorized Construction Lender Representative is received by the Trustee after noon, prevailing California time, on any given Business Day, the Trustee shall pay the requested disbursement within three of the above counted Business Days. Upon final disbursement of all amounts on deposit in the Loan Fund, the Trustee shall close the Loan Fund.

Transfers to Effect Certain Mandatory Redemptions of Bonds.

(xix) *Conversion; Excess Loan Funds.* On the Conversion Date (and, if applicable, from time to time after the Conversion Date) the Trustee shall transfer to the Redemption Account such amounts remaining on deposit in the Loan Fund, excluding from such transfer, however, any amount the Loan Servicer determines are required to pay Costs of the Project which are then not yet due and payable or which are then being contested in good faith. The Trustee shall apply any amounts so transferred to the redemption of Bonds pursuant to the Indenture.

(xx) *Failure of Conversion or Borrower Default.* If the Credit Provider notifies the Trustee pursuant to the Indenture that either (i) the Conditions to Conversion have not been satisfied prior to the Termination Date or (ii) a Borrower Default has occurred or (iii) the Construction Lender has directed Fannie Mae to draw on the Letter of Credit due to an event of default by the Borrower under the Construction Phase Loan Agreement or the Construction Phase Reimbursement Agreement, then:

(D) the Trustee shall not make any further disbursement from the Project Account in accordance with the provisions of the Indenture described above in subsection (b)(i); and

(E) the Trustee shall transfer any amounts remaining on deposit in the Loan Fund to the Redemption Account three Business Days prior to the Redemption Date determined for the redemption of the Bonds pursuant to the terms of the Indenture.

If, however, the Trustee purchases the Bonds for the account of the Construction Lender pursuant to Indenture, the Trustee shall make the transfer described in clause (B) on such later date as the Construction Lender shall specify, but in any event not later than three years after the Closing Date. The Trustee shall apply any amounts so transferred to the Redemption Account to the redemption of Bonds pursuant to the terms of the Indenture

(xxi) *Certain Other Mandatory Redemptions.* Immediately prior to any mandatory redemption of the Bonds in whole pursuant to the terms of the Indenture, any amounts then remaining in the Loan Fund shall, at the written direction of the Credit Provider, be transferred to the Redemption Account to be applied to the redemption of Bonds pursuant to the applicable provision of the Indenture.

Revenue Fund—Interest Account

Deposits Into the Interest Account. The Trustee will deposit each of the following amounts into the Interest Account:

(mmm) moneys provided by or on behalf of the Borrower relating to an interest payment under the Note whether paid pursuant to Section 3.2(b)(1) of the Assignment or otherwise;

(nnn) moneys provided by or on behalf of the Borrower for the payment of the Facility Fee to the Credit Provider under the Reimbursement Agreement whether paid pursuant to Section 3.2(b)(4) of the Assignment or otherwise;

(ooo) moneys transferred from the Capitalized Moneys Account pursuant to the Indenture whether to pay accrued interest on the Bonds, the Facility Fee to the Credit Provider under the Reimbursement Agreement or otherwise;

(ppp) all Investment Income on the Funds and Accounts (except that Investment Income earned on amounts on deposit in the Loan Fund, Rebate Fund, Costs of Issuance Fund, and the Principal Reserve Fund shall be credited to and retained in those respective Funds or Accounts); and

(qqq) any other moneys made available for deposit into the Interest Account from any other source, including, but not limited to, any excess amounts in the Bond Purchase Fund pursuant to the Indenture;

Disbursements From the Interest Account. The Trustee will disburse or transfer, as applicable, moneys on deposit in the Interest Account at the following times and apply such moneys in the following manner and in the following order of priority:

(rrr) on each (i) Interest Payment Date on or prior to the Conversion Date, (ii) Interest Payment Date after the Conversion Date during any Reset Period or Fixed Rate Period, (iii) Redemption Date and (iv) date of acceleration of the Bonds, the Trustee shall disburse to the Credit Provider the amount of any Advance under the Credit Facility relating to the payment of interest on the Bonds;

(sss) in the event of a Wrongful Dishonor, until such Wrongful Dishonor is cured, the Trustee shall disburse to the Bondholders on each Interest Payment Date, an amount equal to the interest due on the Bonds on such date;

(ttt) on each Interest Payment Date on or prior to Conversion, to the Credit Provider the amount of its Facility Fee;

(uuu) if the Credit Provider or the Loan Servicer gives written notice to the Trustee at any time to the effect that there is any unreimbursed Advance under the Credit Facility or any other amount required to be paid by the Borrower to the Credit Provider under the Loan Documents, the Bond Documents or the Credit Facility Documents remains unpaid, then the Trustee shall transfer any Investment Income earned on the Interest Account from and after the preceding Interest Payment Date or the Closing Date, as applicable, to the Credit Provider but not in an amount which exceeds the amount stated as unpaid by the Credit Provider in its notice to the Trustee; and

(vvv) unless there is (A) a deficiency in the Principal Reserve Fund, the Fees Account or the Rebate Fund or (B) other than as described in paragraph (3) above and in the Indenture, an Event of Default under the Reimbursement Agreement or any Bond Document or a default under any Loan Document has occurred and is continuing, on each Interest Payment Date the Trustee shall disburse to the Borrower the Investment Income earned on the Interest Account from and after the preceding Interest Payment Date or the Closing Date, as applicable. If a deficiency exists in the Principal Reserve Fund, the Fees Account or the Rebate Fund, such Investment Income shall be transferred to the Principal Reserve Fund, Fees Account and/or the Rebate Fund, in that order of priority, prior to any payment to the Borrower; and

The Revenue Fund—Redemption Account

Deposits Into the Redemption Account. The Trustee will deposit each of the following amounts into the Redemption Account:

(www) Available Moneys provided by or on behalf of the Borrower to fund the premium payable on the Bonds in connection with a redemption of such Bonds which amounts shall be held in a segregated subaccount in the Redemption Account;

(xxx) moneys transferred from the Loan Fund pursuant to the Indenture;

(yyy) moneys provided by or on behalf of the Borrower relating to a principal payment, including any prepayment under the Note;

(zzz) moneys required under the Indenture to be transferred from the Principal Reserve Fund pursuant to the Indenture; and

(aaaa) any other amount received by the Trustee and required by the terms of the Indenture or the Financing Agreement to be deposited into the Redemption Account.

Disbursements From the Redemption Account. On each Redemption Date, date of acceleration of the Bonds and Maturity Date, the Trustee shall disburse from the Redemption Account (a) to the Credit Provider, the amount of any Advance under the Credit Facility relating to the payment of principal on the Bonds or (b) in the event of a Wrongful Dishonor, to the Bondholders, an amount equal to the principal due on the Bonds on such date. In addition, on any date on which premium payable on Bonds in connection with a redemption of such Bonds is due, the Trustee shall disburse to the Bondholders, from the segregated subaccount in the Redemption Account, Available Moneys in an amount sufficient to pay such premium.

Disbursements From the Redemption Account for Sinking Fund Payments. Provided that no notice of optional redemption has been sent to Bondholders on or prior to the 30th day preceding a Sinking Fund Payment Date at the written instruction of the Issuer (acting through an Authorized Officer), at the direction of the Borrower and with the prior written consent of the Credit Provider, the Trustee will apply any moneys accumulated in the Redemption Account on

or prior to the 30th day preceding such Sinking Fund Payment Date to the purchase of Bonds of the maturity for which such Sinking Fund Payment was established at prices (including any brokerage and other charges) not exceeding the redemption price for such Bonds plus accrued and unpaid interest to the date of purchase, such purchase to be made in such manner as the Trustee (after consultation with the Issuer, the Borrower and the Credit Provider) determines. The Borrower shall provide a copy of such direction to the Loan Servicer concurrently with delivery to the Trustee.

Upon the purchase of any Bond pursuant to the preceding paragraph, all such Bonds will be cancelled by the Trustee and an amount equal to the principal amount of the Bonds so purchased will be credited toward the Sinking Fund Payment next due with respect to the Bonds of such maturity. In the event the Trustee is able to purchase Bonds at a price less than the redemption price at which such Bonds were to be redeemed, then, presuming no notice of redemption has been sent to Bondholders, after payment by the Trustee of the purchase price of such Bonds and after payment of any other amounts due on the due date of such Sinking Fund Payment, the Trustee shall pay an amount not greater than the difference between the amount of such purchase price and the amount of such redemption price to, or at the direction of, the Borrower.

As soon as practicable after the 30th day preceding the due date of any such Sinking Fund Payment, and otherwise as provided in the Indenture, the Trustee, pursuant to the Indenture, shall give notice of redemption of Bonds in such amount as is necessary to complete the retirement of a principal amount of Bonds equal to the unsatisfied balance of such Sinking Fund Payment. The Trustee shall call such Bonds for redemption whether or not it then has moneys in the Redemption Account sufficient to pay the applicable redemption price of the Bonds to be redeemed on the Redemption Date. The Trustee shall pay the amount required for the redemption of the Bonds so called for redemption from the Funds specified in the Indenture, in the order of priority indicated, and such amount will be applied by the Trustee to such redemption.

Revenue Fund—Credit Facility Account

Deposits Into the Credit Facility Account. The Trustee shall deposit into the Credit Facility Account all Advances under the Credit Facility, except for (i) Advances on account of Issuer's Fee and (ii) Pledged Bond Advances. That portion of any Advance on account of Issuer's Fee shall be deposited into the Fees Account. Any Pledged Bond Advance is to be deposited into the Bond Purchase Fund pursuant to the Indenture. No other moneys will be deposited into the Credit Facility Account and the Credit Facility Account shall be maintained as a segregated account and moneys therein shall not be co mingled with any other moneys held under the Indenture. The Credit Facility Account shall be closed at such time as the Credit Provider has no continuing liability under the Credit Facility.

The Trustee shall cause amounts deposited into the Credit Facility Account to be applied on the date payment is due to the payments for which the Advance was made pursuant to the Credit Facility. In no event shall amounts in the Credit Facility Account be applied to the payment of principal of and interest and any premium on any Pledged Bonds or on any Bonds held by the Borrower or any Affiliate of the Borrower. Any amounts remaining in the Credit Facility Account after making the payment for which the Advance was made pursuant to the Credit Facility shall be immediately refunded to the Credit Provider.

Revenue Fund—Fees Account

Deposits Into the Fees Account. The Trustee shall deposit into the Fees Account all (i) moneys transferred from the Capitalized Moneys Account pursuant to the Indenture; (ii) payments made by the Borrower under the Financing Agreement attributable to the Third Party Fees; (iii) payments made by the Borrower under the Financing Agreement attributable to the Fees and Expenses; and (iv) amounts derived from the Credit Facility for the payment of the Issuer Fee.

Disbursements From the Fees Account. On any date on which any amounts are required to pay any Third Party Fees or any Fees and Expenses, such amounts shall be withdrawn by the Trustee from the Fees Account for payment to the appropriate party; provided, however, that amounts derived from the Credit Facility and deposited into the Fees Account will be used only to pay the Issuer's Fee when due. In the event the amount in the Fees Account is insufficient to pay such Third Party Fees or any Fees and Expenses, the Trustee shall make written demand on the Borrower for the amount of such insufficiency and, pursuant to the terms of the Financing Agreement, the Borrower shall be liable to promptly pay the amount of such insufficiency to the Trustee within five Business Days after the date of the Trustee's written demand. The Trustee will provide notice of the insufficiency to the Loan Servicer and, prior to the Conversion Date, the Credit Provider and the Construction Lender.

No Other Claims to Trust Estate. Neither the Tender Agent, the Remarketing Agent nor the Rebate Analyst shall have any right to any moneys in any Fund or Account or otherwise in the Trust Estate other than those moneys deposited pursuant to subsection (a) into the Fees Account specifically for such Person. Except as otherwise stated in the Indenture, the Issuer shall not have any right to any moneys in any Fund or Account or otherwise in the Trust Estate other than those moneys deposited pursuant to subsection (a) into the Fees Account specifically for the Issuer. Except as otherwise stated in the Indenture, the Trustee shall not have any right to any moneys in any Fund or Account or otherwise in the Trust Estate other than those moneys deposited pursuant to subsection (a) into the Fees Account specifically for the Trustee.

Costs of Issuance Fund

Deposits into the Costs of Issuance Fund. On or before the Closing Date the Borrower shall deliver the Costs of Issuance Deposit to the Trustee. On the Closing Date, the Trustee shall deposit or transfer, as applicable, the Costs of Issuance Deposit into the Costs of Issuance Fund. Upon final disbursement, the Trustee shall close the Costs of Issuance Fund.

Disbursements from the Costs of Issuance Fund. The Trustee shall disburse moneys on deposit in the Costs of Issuance Fund, pursuant to requisitions in the form of Exhibit C attached to the Indenture, signed by an Authorized Borrower Representative, to pay Costs of Issuance. The Trustee may conclusively rely on such requisitions for purposes of making such disbursements. Moneys on deposit in the Costs of Issuance Fund shall not be part of the Trust Estate and will be used solely to pay Costs of Issuance.

Disposition of Remaining Amounts. Any moneys remaining in the (i) Costs of Issuance Deposit Account of the Costs of Issuance Fund six months after the Closing Date and not needed to pay still unpaid Costs of Issuance will be returned to the Borrower.

Rebate Fund.

The Trustee shall hold and apply the Rebate Fund as provided in the Tax Certificate. Within 30 days after the end of every fifth Bond Year (as defined in the Tax Certificate) or such other times as required by the Tax Certificate, and within 55 days after the date on which no Bonds are Outstanding, the Borrower shall cause the Rebate Analyst to deliver to the Trustee and the Issuer a certificate stating whether any rebate payment is required to be made, as set forth in the Tax Certificate, and the Borrower shall deliver to the Trustee any amount so required to be paid. Unless the Trustee shall have been advised by the Borrower that a Rebate Analyst has been engaged by the Borrower prior to the end of such Bond Year, the Trustee shall engage a Rebate Analyst, at the Borrower's expense, to perform any necessary calculations. Any funds remaining in the Rebate Fund after redemption and/or payment of all of the Bonds and payment and satisfaction of any rebate requirement, or provision made therefor satisfactory to the Trustee, shall be withdrawn and remitted to the Borrower, so long as no amounts remain due and payable to the Credit Provider, or as otherwise provided in the Tax Certificate. The Issuer and the Trustee may rely conclusively upon and shall be fully protected from all liability in relying upon the Rebate Analyst's determinations, calculations, certifications and directions required under the Indenture and the Issuer and Trustee shall have no responsibility to independently make any calculations or determinations or to review the Rebate Analyst's determinations, calculations, certifications or directions.

Bond Purchase Fund

Deposits Into Bond Purchase Fund. The Trustee will deposit each of the following into the Bond Purchase Fund:

(bbbb) remarketing proceeds received upon the remarketing of Tendered Bonds to any person; and

(cccc) Pledged Bond Advances under the Credit Facility to enable the Trustee to pay the purchase price of Tendered Bonds to the extent that moneys obtained pursuant to subsection (a) are insufficient on any date to pay the purchase price of Tendered Bonds, which amounts the Trustee shall transfer to the Tender Agent on or before 3:00 p.m. Eastern time on each Tender Date.

Subject to the provisions of the Indenture permitting reimbursement of amounts owed to the Credit Provider, moneys in the Bond Purchase Fund shall be held uninvested and exclusively for the payment of the purchase price of Tendered Bonds. Amounts held to pay the purchase price for more than two years will be applied in the same manner as provided under the Indenture with respect to unclaimed payments of principal and interest.

Disbursements From the Bond Purchase Fund. The Trustee will transfer to the Tender Agent on or before 3:00 p.m. Eastern time on each Tender Date amounts on deposit in the Bond Purchase Fund to pay the purchase price of Tendered Bonds. The Tender Agent shall apply such amounts to pay the purchase price of Bonds purchased under the Indenture to the former owners of such Bonds upon presentation of the Bonds to the Tender Agent pursuant to the provisions of the Indenture.

Principal Reserve Fund

Deposits Into the Principal Reserve Fund. The Trustee will deposit each of the following amounts into the Principal Reserve Fund:

(dddd) All of the monthly payments made by the Borrower in accordance with the Schedule of Deposits to Principal Reserve Fund attached to the Reimbursement Agreement, as such schedule may be amended in accordance with the Reimbursement Agreement; and

(eeee) Investment Income earned on amounts on deposit in the Principal Reserve Fund.

Disbursements From the Principal Reserve Fund. The Trustee shall pay or transfer amounts on deposit in the Principal Reserve Fund as follows:

(ffff) at the written direction of the Credit Provider, to the Credit Provider to reimburse the Credit Provider for any unreimbursed Advance under the Credit Facility and to pay any other amounts required to be paid by the Borrower under the Loan Documents, the Bond Documents or the Credit Facility Documents (including any amounts required to be paid to the Credit Provider);

(gggg) at the written direction of the Credit Provider, with the written consent of the Borrower (so long as an Event of Default has not occurred and is not continuing under any of the Credit Facility Documents), to the Credit Provider or the Borrower, as the Credit Provider elects, to make improvements or repairs to the Mortgaged Property;

(hhhh) at the written direction of the Credit Provider, if a default has occurred under the Credit Facility Documents, any Loan Document or any Bond Document, to the Credit Provider for any use approved in writing by the General Counsel of the Credit Provider;

(iiii) at the written direction of the Credit Provider, if a new mortgage and mortgage note have been substituted for the Security Instrument and the Note in accordance with the Loan Documents, or if the Borrower otherwise consents, for any purpose approved in writing by the General Counsel of the Credit Provider;

(jjjj) on each Adjustment Date, to the Redemption Account;

(kkkk) during a Weekly Variable Rate Period, on the tenth Business Day prior to each Interest Payment Date, all amounts on deposit in the Principal Reserve Fund (rounded downward to the nearest multiple of \$100,000) in excess of the Principal Reserve Amount, to the Redemption Account; or

(llll) pay to the Borrower, Investment Income on moneys in the Principal Reserve Fund on the Interest Payment Date following receipt by the Trustee of such interest or profits; provided that there is no deficiency in the Interest Account, the Redemption Account, the Principal Reserve Fund, the Fees Account or the Rebate Fund, and that no default exists under the Credit Facility Documents, any Loan Document or any Bond Document. If a deficiency exists in the Interest Account, the Redemption Account, the Principal Reserve Fund, the Fees Account or the Rebate Fund, the Trustee shall transfer such Investment Income to the Interest Account, the Redemption Account, the Principal Reserve Fund, the Fees Account, and/or the Rebate Fund, in that order of priority, prior to any payment to the Borrower.

Nonpresentment of Bonds

In the event any Bond is not presented for payment when the principal of such Bond becomes due, either at maturity or at the date fixed for redemption of such Bond or otherwise, if amounts sufficient to pay such Bond have been deposited with the Trustee for the benefit of the owner of

the Bond and have remained unclaimed for two years after such principal has become due and payable, such amounts, to the extent amounts are owed to the Credit Provider as set forth in a written statement of the Credit Provider addressed to the Trustee, will be paid to the Credit Provider, with any excess to be paid to the Borrower. Upon such payment, all liability of the Issuer and the Trustee to the holder of any Bond for the payment of such Bond will cease and be completely discharged. The obligation of the Trustee to pay any such amounts to the Credit Provider or the Borrower will be subject to any provisions of law applicable to the Trustee or to such amounts providing other requirements for disposition of unclaimed property.

Investments

Moneys held as part of any Fund or Account will be invested and reinvested in Permitted Investments. Permitted Investments will have maturities corresponding to, or will be available for withdrawal without penalty no later than, the dates upon which such moneys will be needed for the purpose for which such moneys are held. Moneys on deposit in the (i) Interest Account will be invested only in investments described in paragraphs (a), (b), (c) and (h) of the definition of Permitted Investments, (ii) Redemption Account shall be invested only in investments described in paragraphs (a) and (b) of the definition of Permitted Investments, with a term not exceeding the earlier of 30 days from the date of investment of such moneys or the date or dates that such moneys are anticipated to be required for redemption, (iii) Credit Facility Account and Bond Purchase Fund will be held uninvested and (iv) Costs of Issuance Fund, until disbursed or returned to the Borrower, be invested only in investments described in paragraph (h) of the definition of Permitted Investments. Permitted Investments will be held by or under the control of the Trustee. All Investment Income from moneys held in all Funds and Accounts other than the Loan Fund, the Rebate Fund, the Costs of Issuance Fund (except as provided otherwise in the Indenture) and the Principal Reserve Fund, upon receipt will be deposited into the Interest Account. Investment Income from moneys held in the Loan Fund, the Rebate Fund, the Costs of Issuance Fund and the Principal Reserve Fund shall remain in the respective Fund where earned.

Limitations on Liability

Notwithstanding any other provision of the Indenture to the contrary:

(mmmm) the obligations of the Issuer with respect to the Bonds are not general obligations of the Issuer but are special, limited obligations of the Issuer payable by the Issuer solely from the Security;

(nnnn) nothing contained in the Bonds or in the Indenture shall be considered as assigning or pledging any funds or assets of the Issuer other than the Trust Estate;

(oooo) the Bonds are not and will not be a debt of the State, the County of Los Angeles or of any other political subdivision of the State, and neither the State, the County of Los Angeles nor any other political subdivision of the State is or will be liable for the payment of the Bonds;

(pppp) neither the faith and credit of the Issuer, the State, the County of Los Angeles nor of any other political subdivision of the State are pledged to the payment of the principal of and interest and any premium on the Bonds;

(qqqq) no failure of the Issuer to comply with any term, condition, covenant or agreement in the Indenture or in any document executed by the Issuer in connection with the Mortgaged Property, or the

issuance, sale and delivery of the Bonds will subject the Issuer to liability for any claim for damages, costs or other charges except to the extent that the same can be paid or recovered from the Trust Estate; and

(rrrr) the Issuer will not be required to advance any moneys derived from any source other than the Trust Estate for any of the purposes of the Indenture, any of the other Bond Documents or any of the Loan Documents, whether for the payment of the principal or redemption price of, or interest on, the Bonds, the payment of Third Party Fees, Fees and Expenses or administrative expenses or otherwise.

Credit Facility; Alternate Credit Facility

Acceptance of the Credit Facility. The Trustee will hold the Credit Facility and will enforce in its name all rights of the Trustee and all obligations of the Credit Provider under the Credit Facility for the benefit of the Bondholders. The Trustee will not assign or transfer the Credit Facility except to a successor Trustee under the Indenture. The Issuer and the Trustee acknowledge that the obligations of Fannie Mae as the Credit Provider under the initial Credit Facility are not backed by the full faith and credit of the United States of America, but by the credit of Fannie Mae, a federally chartered, stockholder owned corporation.

Requests for Advances Under Credit Facility. The Trustee shall request Advances under the Credit Facility in accordance with its terms and cause the proceeds of each Advance to be applied so that full and timely payments are made on each date on which payment of principal, interest or purchase price is due on any Bond or any payment of the Issuer's Fee is due and not paid by the Borrower pursuant to the Financing Agreement. The Trustee shall not request, and shall not apply the proceeds of, any Advance to pay (i) principal of, interest on or the purchase price of, any Pledged Bond or any Bond known by the Trustee to be held by the Borrower or any Affiliate of the Borrower, (ii) premium that may be payable upon the redemption of any of the Bonds or (iii) interest that may accrue on any of the Bonds on or after the maturity of such Bond. Prior to requesting an Advance to pay principal of or interest on the Bonds on an Interest Payment Date, the Trustee shall determine the amount necessary to make such payment of principal or interest.

Return of Payments Under the Credit Facility. In the event the Trustee receives an Advance from the Credit Provider on account of any Tendered Bond and thereafter the Trustee receives remarketing proceeds upon the remarketing of such Tendered Bond, then the Trustee shall promptly reimburse the Credit Provider with such funds to the extent of the amount so paid by the Credit Provider as a reimbursement on behalf of the Borrower.

Alternate Credit Facility. Subject to the terms of the Credit Facility Documents, the Trustee shall accept any Alternate Credit Facility delivered to the Trustee in substitution for the Credit Facility then in effect if (a) the Alternate Credit Facility meets the requirements of the Indenture; (b) the Substitution Date for the Alternate Credit Facility is an Interest Payment Date during a Weekly Variable Rate Period or an Adjustment Date which immediately follows a Reset Period; (c) the Alternate Credit Facility is effective on and from the Substitution Date for such Alternate Credit Facility; and (d) the Trustee receives on or prior to the effective date of the Alternate Credit Facility (i) an Opinion of Counsel to the Credit Provider issuing the Alternate Credit Facility, in form and substance satisfactory to the Issuer and the Trustee, relating to the due authorization and issuance of the Alternate Credit Facility and its enforceability, and (ii) an opinion of Bond Counsel to the effect that the substitution of such Alternate Credit Facility will not adversely affect the exclusion from gross income, for federal income tax purposes, of the interest payable on the Bonds. The Trustee shall give notice to the Bondholders of the

substitution by such Alternate Credit Facility for the Credit Facility then in effect as provided in the Indenture. On the Substitution Date, the Trustee shall draw, if necessary, on the Credit Facility being replaced and shall not surrender such Credit Facility until all requests thereon have been honored

Extension of Credit Facility. In the event the term of any Alternate Credit Facility is extended, the Trustee must receive, not later than the Extension Date, (a) the commitment relating to such extension of the Alternate Credit Facility; and (b) an Opinion of Counsel for the Alternate Credit Provider, in substantially the form of the Opinion of Counsel delivered to the Trustee upon the issuance of such Alternate Credit Facility. The Trustee is to provide a copy of the commitment to extend and the extension of the credit facility upon receipt thereof to the Rating Agency and, upon request, to any Bondholder. Upon the failure of the Borrower to furnish the Trustee with either a satisfactory commitment to extend the Alternate Credit Facility or an Alternate Credit Facility pursuant to the Indenture and the accompanying Opinion of Counsel on or prior to each Extension Date, the Bonds shall be subject to mandatory tender pursuant to the Indenture.

At the request of the Credit Provider, the Trustee shall exchange the Credit Facility with the Credit Provider for a new Credit Facility (a “Replacement Credit Facility”) issued by the Credit Provider, provided that there is delivered to the Trustee (i) a written confirmation from the Rating Agency to the effect that such exchange shall not adversely affect the rating then in effect for the Bonds and (ii) a written opinion of Bond Counsel to the effect that such exchange will not adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes. No such exchange shall require the approval of the Issuer, the Trustee or any of the Bondholders or constitute or require a modification or supplement to the Indenture.

Defeasance

Provision for Payment of Bonds. So long as the Bonds are in a Reset Mode or the Fixed Rate Mode, any Bond will be deemed paid within the meaning of the Indenture if each of the conditions of the Indenture described below is satisfied. The Bonds may not be defeased within the meaning of the Indenture if the Bonds are in the Weekly Variable Rate Mode. The conditions are:

(ssss) the Issuer or the Borrower deposits with the Trustee (i) Available Moneys or (ii) Government Obligations which are not subject to early redemption and which are purchased with Available Moneys, of such maturities and interest payment dates and bearing such interest as will be sufficient, without further investment or reinvestment of either the principal amount of such Government Obligations or the interest earnings on Government Obligations (the earnings to be held in trust also), together with any Available Moneys, for the payment on their respective maturity dates, or redemption dates prior to maturity, of the principal of such Bonds and redemption premium, if any, and interest to accrue on such Bonds to such maturity or redemption dates;

(tttt) the Trustee receives, at the expense of the Borrower, and may rely upon (A) a verification report of an independent certified public accountant or other firm nationally recognized in the certification of cash flow analyses; and (B) an Opinion of Bond Counsel to the effect that such deposit with the Trustee and consequent defeasance of the Bonds does not adversely affect the excludability from gross income for federal income tax purposes of the interest payable on the Bonds;

(uuuu) all Third Party Fees and Fees and Expenses due or to become due have been paid or sufficient additional moneys to make the required payments have been irrevocably deposited with the Trustee;

(vvvv) for any such Bonds to be redeemed on any date prior to their maturity, the Trustee has received in form satisfactory to it irrevocable instructions to redeem such Bonds on a date on which the Bonds are subject to redemption, and either evidence satisfactory to the Trustee that all redemption notices required by the Indenture have been given or irrevocable power authorizing the Trustee to give such redemption notices; and

(wwwv) if the Bonds are in a Reset Mode the Bonds will be redeemed on or before the last day of the current Reset Period.

The Trustee shall redeem the Bonds specified by such irrevocable instructions on the date specified by such irrevocable instructions.

Defeased Bonds No Longer Outstanding. At such times as a Bond is deemed to be paid under the Indenture, it will no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of payment in accordance with the terms of the Indenture.

Defaults and Remedies

Events of Default. Each of the following constitutes an Event of Default under the Indenture:

(xxxx) default in the payment when due and payable of any interest due on any Bond (other than a Pledged Bond) or unless the Construction Lender specifies otherwise by written notice to the Trustee, on any Special Purchase Bond;

(yyyy) default in the payment when due and payable of (i) the principal of or any redemption premium on any Bond (other than a Pledged Bond) or unless the Construction Lender specifies otherwise by written notice to the Trustee, Special Purchase Bond, at maturity or upon any redemption, or (ii) the purchase price of any Tendered Bond (other than a Pledged Bond);

(zzzz) written notice to the Trustee from the Credit Provider of a default by the Issuer in the observance or performance of any covenant, agreement, warranty or representation on the part of the Issuer included in the Indenture or in the Bonds (other than an Event of Default set forth in subsection (a) or (b) above) and the continuance of such default for a period of 30 days after the Trustee receives such notice; or

(aaaaa) an Act of Bankruptcy.

Nondefault and Prohibition of Mandatory Redemption Upon Tax Event. The occurrence of any event (a "Tax Event") which results in the interest payable on the Bonds being includable, for federal income tax purposes, in the gross income of the Bondholders, including any violation of any provision of the Regulatory Agreement or any of the other Bond Documents, shall not (i) directly or indirectly constitute an Event of Default under the Indenture or permit any party (other than the Credit Provider) to accelerate, or require acceleration of, the Loan or the Bonds, unless the Credit Provider provides written notice to the Trustee that such Tax Event constitutes a default under the Reimbursement Agreement, or (ii) give rise to a mandatory redemption of the Bonds, or (iii) give rise to the payment to the Bondholders of any amount, denoted as "supplemental interest," "additional interest," "penalty interest," "liquidated damages," "damages" or otherwise, in addition to the amounts payable to the owners of the Bonds prior to the occurrence of the Tax Event. Nothing contained in this subsection will be deemed to amend or supplement the terms of the Loan Documents. Promptly upon determining that a Tax Event has occurred, the Issuer or the Trustee, by notice in writing to the Construction Lender, the Credit Provider, the Loan Servicer, all Registered Owners of the Bonds and the

Remarketing Agent, shall state that a Tax Event has occurred and whether the Tax Event is cured, curable within a reasonable period or incurable. Notwithstanding the availability of the remedy of specific performance to cure a Tax Event that is curable within a reasonable period, neither the Issuer nor the Trustee shall have, upon the occurrence of a Tax Event, any right or obligation to cause or direct acceleration of the Bonds or the Loan, to enforce the Note or to foreclose the Security Instrument, to accept a deed to the Mortgaged Property in lieu of foreclosure, or to effect any other comparable conversion of the Mortgaged Property.

Acceleration. Upon:

(bbbb) the occurrence of any Event of Default under the Indenture, the Trustee may, upon receiving the prior written consent of the Credit Provider, and must, upon the written direction of the Credit Provider requiring that the Bonds be accelerated pursuant to this subsection, by written notice to the Issuer, the Borrower, the Credit Provider, the Construction Lender and the Loan Servicer, declare the principal of all Bonds and the interest accrued, and to accrue, on the Bonds to the date of declaration immediately due and payable.

Notice. Upon any decision to accelerate payment of the Bonds, the Trustee will notify the Construction Lender and the Bondholders of the declaration of acceleration, that, in the event of acceleration pursuant to the Indenture, interest on the Bonds will cease to accrue upon such declaration, and payment of the Bonds will be made upon presentment of the Bonds at the Designated Office of the Trustee. Such notice shall be sent by registered mail or overnight delivery service, postage prepaid, or, at the Trustee's option, may be given by Electronic Means to each Registered Owner of Bonds at such Registered Owner's last address appearing in the Bond Register. Any defect in or failure to give notice of such declaration will not affect the validity of such declaration.

Draw on Credit Facility. Immediately upon acceleration of the Bonds, the Trustee shall request an Advance under the Credit Facility in accordance with its terms.

Other Remedies. Upon the occurrence and continuance of an Event of Default under the Indenture, the Trustee may, with or without taking action under the Indenture, but only with the prior written consent of the Credit Provider and must at the direction of the Credit Provider, if the Event of Default occurs under paragraph (c) or (d) under "Events of Default" above, pursue any of the following remedies:

(cccc) an action in mandamus or other suit, action or proceeding at law or in equity (i) to enforce the payment of the principal of and interest and any premium on the Bonds, (ii) for the specific performance of any covenant or agreement contained in the Indenture, the Financing Agreement or the Regulatory Agreement or (iii) to require the Issuer to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act;

(dddd) the liquidation of the Trust Estate; or

(eeee) an action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders and to execute any other papers and documents and do and perform any and all such acts and things as may be necessary or advisable in the opinion of the Trustee in order to have the respective claims of the Bondholders against the Issuer allowed in any bankruptcy or other proceeding.

Subject to the provisions of the Indenture and the requirement, if any, that the Credit Provider consent in writing to the exercise by the Trustee of any remedy, upon the occurrence and continuance of an Event of Default under the Indenture, the Trustee shall exercise such of the

rights and powers conferred by the Indenture as the Trustee, being advised by counsel, deems most effective to enforce and protect the interests of the Bondholders and, unless a Wrongful Dishonor has occurred and is continuing, the Credit Provider.

Remedies Not Exclusive; Delay or Omission. No right or remedy conferred upon or reserved to the Trustee (or to the Bondholders) is intended to be exclusive of any other right or remedy, but each and every such right and remedy will be cumulative and shall be in addition to any other right or remedy given to the Trustee or to the Bondholders under the Indenture or under the Financing Agreement, the Regulatory Agreement or the Credit Facility or now or later existing at law or in equity. No delay or omission to exercise any right or remedy provided in the Indenture will impair any such right or remedy or be construed to be a waiver of any Event of Default or acquiescence in it. Every such right and remedy may be exercised from time to time as often as may be deemed expedient.

Waiver. Subject to the conditions precedent set out below, (a) the Trustee may waive, (b) the Trustee shall waive if directed to do so by the Credit Provider and the Construction Lender, in writing, and (c) Bondholders owning not less than 51% in aggregate principal amount of Bonds then Outstanding may waive, by written notice to the Trustee, any Event of Default under the Indenture and its consequences and rescind any declaration of acceleration of maturity of principal. The conditions precedent to any waiver are:

(fffff) unless waiver is directed by the Credit Provider, and the Construction Lender, the Credit Provider, and the Construction Lender, consent to such waiver in writing;

(ggggg) the principal and interest on the Bonds in arrears, together with interest thereon (to the extent permitted by law) at the applicable rate or rates of interest borne by the Bonds has been paid or provided for by the Borrower in Available Moneys or by the Credit Provider and all fees and expenses of the Trustee have been paid or provided for by the Borrower or the Credit Provider; and

(hhhhh) after the waiver, the Credit Facility remains in effect in an amount equal to the aggregate principal amount of the Bonds Outstanding (other than Pledged Bonds) plus the Interest Requirement; provided, however, that such waiver will be permitted without the Credit Facility remaining in effect if (i) the Issuer consents to the waiver, (ii) the Rating Agency then rating the Bonds is notified and the Trustee gives written notice to the Bondholders that the ratings on the Bonds may be reduced or withdrawn upon the occurrence of such waiver, and (iii) 100% of the Bondholders consent to the waiver.

Upon any such waiver, the default or Event of Default shall be deemed cured and shall cease to exist for all purposes and the Issuer, the Borrower, the Trustee and the Bondholders will be restored to their former positions and rights under the Indenture. No waiver of any default or Event of Default shall extend to or affect any subsequent default or Event of Default or shall impair any right or remedy consequent thereto.

Rights of the Credit Provider and the Bondholders To Direct Proceedings. Notwithstanding anything contained in the Indenture to the contrary, the Credit Provider itself or Bondholders owning not less than 51% in aggregate principal amount of Bonds then Outstanding, but only with the prior written consent of the Credit Provider, shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or any other proceedings under the Indenture; provided, however, that such direction will not be otherwise than in accordance with the provisions of law and of the Indenture, and provided that the Trustee will be indemnified to its reasonable satisfaction (except as otherwise provided in the Indenture).

Limitations on Bondholders' Rights. No Bondholder has or shall have the right to enforce the provisions of the Indenture or the Financing Agreement, or to institute any proceeding in equity or at law for the enforcement of the Indenture or the Financing Agreement, or to take any action with respect to an Event of Default under the Indenture or an Event of Default under the Financing Agreement, or to institute, appear in or defend any suit or other proceeding with respect to the Indenture or the Financing Agreement upon an Event of Default unless (a) such Event of Default is a Wrongful Dishonor, (b) such Bondholder has given the Trustee, the Issuer, the Credit Provider, the Construction Lender, the Loan Servicer and the Borrower written notice of the Event of Default, (c) the holders of not less than 51% in aggregate principal amount of Bonds then Outstanding have requested the Trustee in writing to institute such proceeding, (d) the Trustee has been afforded a reasonable opportunity to exercise its powers or to institute such proceeding, (e) the Trustee has been offered reasonable indemnity, where required, and (f) the Trustee has thereafter failed or refused to exercise such powers or to institute such proceeding within a reasonable period of time. No Bondholder has or shall have any right in any manner whatever to affect, disturb or prejudice the pledge of revenues or of any other moneys, Funds, Accounts or securities under the Indenture. Except as provided in this paragraph, no Bondholder has or shall have the right, directly or indirectly, individually or as a group, to seek to enforce, collect amounts available under, or otherwise realize on, the Credit Facility.

Application of Moneys. Amounts derived from payments under the Credit Facility shall be deposited into the Credit Facility Account and applied solely to pay the principal of and interest on the Bonds. Amounts on deposit in the Bond Purchase Fund shall be applied solely to pay the purchase price of the Bonds. All other moneys received by the Trustee pursuant to any action taken under the Indenture will be deposited into the Interest Account and the Redemption Account, as applicable, after payment of the ordinary costs and expenses of the Trustee. The balance of such moneys, less such amounts as the Trustee determines may be needed for possible use in paying future fees and expenses and for the preservation and management of the Mortgaged Property (as identified by the Credit Provider), shall be applied as set out in the following subsections.

(iiii) *Principal of Bonds Not Declared Due and Payable.* Unless the principal on all Bonds has become or been declared due and payable, all such moneys will be applied:

FIRST, to the payment of all interest then due on the Bonds, in the order of the maturity of such interest and, if the amount available shall not be sufficient to pay in full said amount, then to the payment ratably, of the amounts due, without any discrimination or privilege;

SECOND, to the payment of the unpaid principal of any of the Bonds which have become due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to the Indenture), in the order of due dates, with interest upon the principal amount of the Bonds from the respective dates upon which they become due at the rate or rates borne by the Bonds, to the extent permitted by law, and, if the amount available shall not be sufficient to pay in full the principal of such Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled to such payment without any discrimination or privilege;

THIRD, to the payment of amounts owed to the Credit Provider under the Credit Facility Documents and the Loan Documents, and then to any amounts due to the Trustee for Extraordinary Items, for this purpose including the costs and expenses of any proceedings resulting in the collection of such moneys and of advances incurred or made by the Trustee.

(jjjjj) *Principal of Bonds Declared Due and Payable.* If the principal of all the Bonds has become or been declared due and payable, all such moneys shall be applied first, to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably according to the amounts due respectively for principal and interest to the persons entitled to payment, until all such principal and interest has been paid; second, to pay the Credit Provider amounts owed to it under the Credit Facility Documents and the Loan Documents; and third, to pay the Construction Lender amounts owed to it under the Construction Phase Credit Documents as specified by the Construction Lender to the Trustee in writing; and fourth, to any other amounts due and payable under the Indenture.

(kkkkk) Whenever moneys are to be applied pursuant to the terms of the Indenture described under the subheading “-Application of Moneys,” such moneys shall be applied at such times, and from time to time, as the Trustee determines, having due regard for the amount of such moneys available for application, the likelihood of additional moneys becoming available for such application in the future, and potential expenses relating to the exercise of any remedy or right conferred on the Trustee by the Indenture. Whenever the Trustee applies such moneys, it shall fix the date (which will be an Interest Payment Date unless it deems an earlier date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue unless interest has already ceased to accrue in accordance with the Indenture. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the owner of any Bond until such Bond is presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Trustee

Resignation or Removal of the Trustee. The Trustee may resign only upon giving 60 days prior written notice to the Issuer, the Credit Provider, the Construction Lender, the Loan Servicer, the Borrower and to each Registered Owner of Bonds then Outstanding as shown on the Bond Register. The Trustee may be removed at any time upon 30 days prior written notice to the Trustee, (i) by the Issuer, with the prior written consent of the Construction Lender and the Credit Provider, (ii) by the owners of not less than 51% in aggregate principal amount of Bonds then Outstanding, which written instrument shall designate a successor Trustee approved by the Construction Lender and the Credit Provider, or (iii) by the Credit Provider. Such resignation or removal shall not be effective until a successor Trustee satisfying the requirements of the Indenture is appointed and has accepted its appointment.

Appointment of Successor Trustee. Upon the resignation or removal of the Trustee, a successor Trustee, satisfying the requirements under the heading “Qualification” in the Indenture, shall be appointed by the Issuer with the prior written consent of the Issuer, the Construction Lender and the Credit Provider (unless appointed by the Bondholders as provided in “Resignation or Removal of the Trustee” in the Indenture); provided, however, that if the Borrower is then in default under any Bond Document or any Loan Document or if an event has occurred and is continuing which, with notice or the passage of time or both, would constitute such a default, such appointment will be made by the Issuer with the prior written consent of the Construction

Lender and the Credit Provider. If, in the case of resignation or removal of the Trustee, no successor is appointed within 30 days after the notice of resignation or within 30 days after removal, as the case may be, then, in the case of a resignation, the resigning Trustee shall appoint a successor with the prior written consent of the Issuer, the Construction Lender and the Credit Provider or apply to a court of competent jurisdiction for the appointment of a successor Trustee and, in the case of a removal, the Credit Provider shall have the right to appoint a successor Trustee or to apply to a court of competent jurisdiction for the appointment of a successor Trustee. The successor Trustee must accept in writing its duties and responsibilities under the Indenture, the Financing Agreement, the Assignment and the Regulatory Agreement. The successor Trustee shall give notice of such succession by first-class mail, postage prepaid, to each Bondholder, the Issuer, the Construction Lender, the Credit Provider, the Loan Servicer and the Borrower.

Qualifications of Trustee. The Trustee and any successor Trustee will at all times be a bank or trust company organized under the laws of the United States of America or any state, authorized under such laws to exercise corporate trust powers, having a combined capital stock, surplus and undivided profits of at least \$50,000,000 (or an affiliate of a corporation or banking association meeting that requirement which guarantees the obligations and liabilities of the Trustee) and subject to supervision or examination by federal or state banking authority.

Supplemental Indentures; Amendments

Supplemental Indentures Not Requiring Bondholder Consent. The Issuer and the Trustee, without the consent of or notice to any Bondholder, may enter into an indenture or indentures supplemental to the Indenture for one or more of the following purposes:

(lllll) to cure any ambiguity or to correct or supplement any provision contained in the Indenture or in any supplemental indenture which may be defective or inconsistent with any other provision contained in the Indenture or in any supplemental indenture;

(mmmmm) to amend, modify or supplement the Indenture in any respect if, in the judgment of the Trustee, such amendment, modification or supplement is not materially adverse to the interests of the Bondholders;

(nnnnn) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee, or to grant or pledge to the Trustee for the benefit of the Bondholders any additional security other than that granted or pledged under the Indenture;

(ooooo) to modify, amend or supplement the Indenture in such manner as to permit qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute then in effect, or to permit the qualification of the Bonds for sale under the securities laws of any of the States of the United States;

(ppppp) to appoint a successor trustee, separate trustee or co-trustee, or a separate Tender Agent or Bond Registrar;

(qqqqq) to make any change requested by the Credit Provider which, in the judgment of the Trustee, is not materially adverse to the interests of the Bondholders, including, but not limited to, provision of a Credit Facility other than or in substitution for the initial Credit Facility, provided that the provision of such other Credit Facility does not adversely affect the rating then in effect for the Bonds;

(rrrrr) to make any changes in the Indenture or in the terms of the Bonds necessary or desirable in order to maintain the then existing rating on the Bonds by the Rating Agency or otherwise to comply with requirements of any Rating Agency then rating the Bonds;

(sssss) to comply with the Code and the regulations and rulings issued with respect to the Code, to the extent determined as necessary in the Opinion of Bond Counsel;

(ttttt) to modify, alter, amend or supplement the Indenture in any other respect, including amendments which would otherwise be described in “Supplemental Indentures; Amendments—Supplemental Indentures Requiring Bondholder Consent” herein, (A) if such amendments will take effect on a Mandatory Tender Date following the purchase of Tendered Bonds or (B) if notice of the proposed supplemental indenture is given to Bondholders (in the same manner as notices of redemption are given) at least 30 days before the effective date of such amendment, modification, alteration or supplement and, on or before such effective date, the Bondholders have the right to demand purchase of their Bonds pursuant to the Indenture; or

(uuuuu) to change any of the time periods for provision of notice relating to the remarketing of Bonds or the determination of the interest rate on the Bonds.

If the Trustee has received written confirmation from the Rating Agency to the effect that such supplemental indenture will not result in the suspension, withdrawal or reduction of the then current rating on the Bonds and all conditions of the Indenture precedent to the execution of a supplemental indenture have been satisfied, the Trustee shall join the Issuer in the execution of any such supplemental indenture. The Trustee shall promptly furnish a copy of any such supplemental indenture to the Credit Provider, the Construction Lender, the Remarketing Agent, the Tender Agent, the Loan Servicer and the Borrower.

Supplemental Indentures Requiring Bondholder Consent. The Issuer and the Trustee may, with the consent of Bondholders owning not less than 51% in aggregate principal amount of Bonds then Outstanding, from time to time, execute indentures supplemental to the Indenture for the purpose of modifying or amending any of the provisions contained in the Indenture; provided, however, that nothing in this paragraph permits, or will be construed as permitting:

(vvvvv) an extension of the maturity of the principal of or interest on, or the mandatory redemption date of, any Bond, without the consent of the owner of such Bond;

(wwwww) a reduction in the principal amount of, or the rate of interest on, any Bond, without the consent of the owner of such Bond;

(xxxxx) a preference or priority of any Bond or Bonds over any other Bond or Bonds, without the consent of the owners of all such Bonds;

(yyyyy) the creation of a lien prior to or on parity with the lien of the Indenture, without the consent of the owners of all of the Bonds then Outstanding;

(zzzzz) a change in the percentage of Bondholders necessary to waive an Event of Default under the Indenture or otherwise approve matters requiring Bondholder approval under the Indenture, including consent to any supplemental indenture, without the consent of the owners of all the Bonds then Outstanding;

(aaaaaa) a transfer, assignment or release of the Credit Facility (or modification of the provisions of the Indenture governing such transfer, assignment or release), other than as permitted by the Indenture or the Credit Facility, without the consent of the owners of all of the Bonds then Outstanding;

(bbbbbb) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture, without the consent of the holders of all of the Bonds then Outstanding;

(ccccc) the creation of any lien other than a lien ratably securing all of the Bonds at any time Outstanding under the Indenture, without the consent of the holders of all of the Bonds then Outstanding; or

(ddddd) the amendment of the provisions of the Indenture relating to the amendment thereof, without the consent of the holders of all of the Bonds then Outstanding.

The Trustee will promptly furnish a copy of any such supplemental indenture to the Credit Provider, the Construction Lender, the Remarketing Agent, the Tender Agent, the Loan Servicer and the Borrower. Notice of any amendment pursuant to this section in the Indenture shall be given to the Bondholders promptly following the execution thereof.

No Bondholder Consent Required for Amendment to Loan Documents. Unless a Wrongful Dishonor has occurred and is continuing, the Credit Provider alone (with the concurrence of the Construction Lender, unless the change is required by law or will only take effect from or after the Conversion Date, in which case no concurrence of the Construction Lender shall be required) may consent to any amendment to the Loan Documents and no consent of the Bondholders is required; provided, however, that any amendment or substitution of the Note shall occur only following written confirmation of the Rating Agency that such amendment or substitution will not result in a reduction or withdrawal of the rating on the Bonds.

Amendments to the Credit Facility. The Credit Facility may only be amended, supplemented or otherwise changed in accordance with the following:

(eeeeee) ***Replacement Credit Facility.*** At the request of the Credit Provider, the Trustee shall exchange the Credit Facility with the Credit Provider for a new Credit Facility (a “Replacement Credit Facility”) issued by the Credit Provider, provided that there is delivered to the Trustee (i) a written confirmation from the Rating Agency to the effect that such exchange shall not adversely affect the rating then in effect for the Bonds and (ii) a written opinion of Bond Counsel to the effect that such exchange will not adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes. No such exchange shall require the approval of the Issuer, the Trustee or any of the Bondholders or constitute or require a modification or supplement to the Indenture.

(ffffff) ***Amendment of the Credit Facility.*** The Trustee may consent, without the consent of the owners of the Bonds, to any amendment of the Credit Facility not addressed in subsection (a) which does not prejudice in any material respect the interests of the Bondholders.

(gggggg) ***Other Amendments of the Credit Facility.*** Except as provided in subsections (a) and (b), the Credit Facility may be amended only with the consent of the Trustee and the owners of a majority of the owners of all Outstanding Bonds. No amendment may be made to the Credit Facility which would reduce the amounts required to be paid under the Credit Facility or change the time for payment of such amounts; provided, however, that any such amounts may be reduced without such consent solely to the extent that such reduction represents a reduction in any fees payable from such amounts.

Notice to and Consent of Bondholders. If consent of the Bondholders is required for any supplement, amendment or modification to the Indenture or for any other similar purpose, the Trustee shall give notice of the proposed supplement, amendment or modification by first class mail, postage prepaid, to the Bondholders. Such notice will be conclusively presumed to have been duly given and received when given in such manner, whether or not any holder actually receives the notice. Such notice shall briefly set forth the nature of the proposed supplement, amendment or modification, and shall state that copies of any such supplement, amendment or modification are on file at the Designated Office of the Trustee for inspection by the Bondholders. The consent of the holder of any Bond will be binding on any transferee and successor transferees of such Bond.

Required Approvals. No amendment, supplement or modification may be made (i) to any Bond Document without the prior written consent of the Construction Lender and the Credit Provider, (ii) to any Loan Document without the prior written consent of the Credit Provider and, so long as the change will take effect prior to the Conversion Date or is not required by law, the Construction Lender, or (iii) to any Credit Facility Document without the prior written consent of the Credit Provider and, if the change will materially adversely affect the Borrower or the Construction Lender, the Construction Lender. Anything in the Indenture to the contrary notwithstanding, a supplement or amendment or other document described under the heading “—Supplemental Indentures; Amendments” which materially and adversely affects any rights or obligations of the Borrower will not become effective unless and until the Borrower (if the Borrower is not then in default under any Bond Document or any Loan Document and if no event which, with notice or the passage of time or both, would constitute such a default has occurred and is continuing) has consented in writing to the execution of such supplemental indenture, amendment or other document. The Trustee will not be required to enter into any supplement or amendment which adversely affects the Trustee’s rights and duties under the Indenture.

Opinions of Counsel. The Trustee may obtain and will be fully protected in relying upon an Opinion of Counsel as conclusive evidence that any supplement or amendment to the Indenture is authorized and permitted by the Indenture and, if applicable, is not materially adverse to the interests of the Bondholders. No supplement or amendment with respect to the Indenture will be effective until the Issuer and the Trustee have received an opinion of Bond Counsel to the effect that such supplement or amendment will not adversely affect the exclusion from gross income, for federal income tax purposes, of the interest payable on the Bonds.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT

The following is a brief summary of the Financing Agreement. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Financing Agreement, a copy of which is on file with the Trustee.

The Loan

Upon the issuance and delivery of the Bonds, the Issuer has agreed to apply the Bond proceeds to fund the Loan. Disbursements will be made from the Loan Fund as provided in the Indenture.

The Loan will be evidenced by and payable (including prepayment) in accordance with the Note and the Security Instrument. The Loan will bear interest at the rates and on the terms provided in the Note. The Note will be secured by the Security Instrument. The Borrower will make payments on the Note, which shall, at all times and in all events, be sufficient to repay the Loan (including all payments of principal and interest when due) and to timely pay, when due, the principal of, premium, if any, and interest on, the Bonds, and all fees and expenses payable under the Financing Agreement.

On the Closing Date, the Borrower shall deposit or cause to be deposited with the Trustee the Costs of Issuance Deposit, which the Trustee shall deposit in the Costs of Issuance Fund. The Issuer shall have no obligation to issue the Bonds or to fund the Loan unless and until the Borrower delivers the Costs of Issuance Deposit.

The Borrower has agreed to cause credit enhancement and liquidity support for the Bonds to be in effect in the amounts and during the periods as required by the Indenture. From time to time, the Borrower may arrange for the delivery to the Trustee of one or more Alternate Credit Facilities meeting the requirements of the Indenture in substitution for the Credit Facility then in effect.

Obligation of the Borrower To Construct the Project

The Borrower shall proceed with reasonable dispatch to complete the construction and equipping of the Project. If amounts on deposit in the Loan Fund are not sufficient to pay the costs of completion, the Borrower shall pay such costs or cause the same to be paid from other sources. By reason of any such payment of costs relating to the Project from sources other than the Loan Fund, the Borrower shall not be entitled to any reimbursement from the Issuer, the Trustee, the Credit Provider, the Loan Servicer or the holders of the Bonds in respect of such payment or to any diminution or abatement in the repayment of the Loan. Neither the Issuer nor the Credit Provider shall be liable to the Borrower, the holders of the Bonds or any other person if for any reason the Project is not completed or if the proceeds of the Loan are insufficient to pay all costs of the Project.

NEITHER THE ISSUER NOR THE TRUSTEE MAKES ANY WARRANTY, EITHER EXPRESS OR IMPLIED, THAT MONEYS, IF ANY, WHICH WILL BE PAID INTO THE LOAN FUND OR OTHERWISE MADE AVAILABLE TO THE BORROWER WILL BE SUFFICIENT TO COMPLETE THE PROJECT, AND THE ISSUER AND THE TRUSTEE

SHALL NOT BE LIABLE TO THE BORROWER, THE BONDHOLDERS OR ANY OTHER PERSON IF FOR ANY REASON THE PROJECT IS NOT COMPLETED.

Payment of Fees, Costs and Expenses

The Borrower shall pay when due, without duplication, the fees, expenses and other sums specified in the Financing Agreement, including:

(hhhhh) *Fees Due at Closing.* The Borrower shall pay or provide for the payment of all Costs of Issuance and the Trustee's acceptance fee, if any, on the Closing Date.

(iiiiii) *Third Party Fees.* The Borrower shall pay the Third Party Fees on a monthly basis. Each monthly payment shall be in an amount equal to the aggregate of all of the Third Party Fees prorated monthly so that the Trustee shall have the full amount of each fee available in the Fees Account to pay each Third Party Fee as it falls due without regard to whether any Third Party Fee is payable monthly, annually or on any other periodic basis. The Third Party Fees are as follows:

(xxii) The Issuer's annual fee (the "Issuer's Fee") in the amount of \$11,625, payable in advance on the Closing Date and on each anniversary of the Closing Date..

(xxiii) The Trustee's Annual Fee.

(xxiv) The Tender Agent's Annual Fee.

(xxv) The Remarketing Agent's Fee.

(xxvi) The Rebate Analyst's Fee.

(jjjjjj) *Fees and Expenses.*

(xxvii) Rating Agency. The annual rating maintenance fee of each Rating Agency.

(xxviii) Extraordinary Items. The Extraordinary Items.

(xxix) Certain Advances, Expenses and other Items. All advances, out-of-pocket expenses, costs and other charges of each of the Issuer, the Rebate Analyst, the Remarketing Agent, the Tender Agent and the Trustee incurred from time to time, but only to the extent that any such amounts are payable by the Borrower pursuant to an agreement between the Borrower and such Person regarding its services in connection with the Bonds or the Loan.

(xxx) Bond Costs. All costs of registering, printing, reprinting, preparing and delivering any replacement bonds required under the Indenture and in connection with the registration, printing, reprinting or transfer of Bonds.

(xxxi) Adjustment or Conversion of Interest Rate; Tender, Purchase, Remarketing or Reoffering of Bonds. All fees, costs and expenses of any change in Mode or of any tender, purchase, remarketing or reoffering of any Bonds. The fees, costs and expenses of any tender, purchase, remarketing or reoffering of Bonds must be paid by the Borrower in advance in accordance with the Remarketing Agreement or other agreement relating to the remarketing or reoffering of the Bonds.

(xxxii) Conversion. All fees, costs and expenses in connection with Conversion.

The Borrower agrees to timely honor any demand for payment by the Trustee pursuant to the Indenture on account of any insufficiency in the Fees Account.

Certain Payments

Borrower's Obligations Upon Tender of Bonds. If any Tendered Bond is not remarketed on any Tender Date and a sufficient amount is not available in the Bond Purchase Fund for the purpose of paying the purchase price of such Bond, the Borrower will cause to be paid to the Trustee pursuant to the Credit Facility or otherwise pay by the applicable times provided in the Indenture, an amount equal to the principal amount of all Bonds tendered and not remarketed, together with interest accrued to the Tender Date.

Redemption Premium. The Borrower shall pay all redemption premiums, if any, payable with respect to each redemption of any of the Bonds. The Borrower shall make each such payment, or cause such payment to be made, in Available Moneys.

Obligation of the Borrower to Pay Deficiencies. The Borrower shall pay any deficiency resulting from any loss due to a default under any Permitted Investment in any Fund or Account or a change in value of any Permitted Investment.

Obligations of Borrower Unconditional

To the fullest extent permitted by law, the obligations of the Borrower to make all payments and perform its other obligations under the Financing Agreement shall be absolute, unconditional and irrevocable, shall be paid and performed strictly in accordance with the applicable Transaction Documents under all circumstances, including, without limitation, the following circumstances: (i) any invalidity or unenforceability of the Credit Facility or any of the other Transaction Documents; (ii) any amendment or waiver of, or any consent to departure from, the terms of the Credit Facility or any of the other Transaction Documents, any extension of time or other modification of the terms and conditions for any act to be performed in connection with the Credit Facility or any of the other Transaction Documents; (iii) the existence of any claim, set off, defense or other right which the Borrower may have at any time against the Issuer, the Trustee, the Tender Agent, the Credit Provider, the Loan Servicer, the Remarketing Agent or any other Person, whether in connection with any of the Transaction Documents, the Mortgaged Property, or any unrelated transaction; (iv) the surrender or impairment of any security for the performance or observance of any of the agreements or terms of any of the Transaction Documents; (v) defect in title to the Mortgaged Property, any act or circumstance that may constitute failure of consideration, destruction of, damage to or condemnation of the Mortgaged Property, commercial frustration of purpose, or any change in the tax or other laws of the United States of America or of the State or any political subdivision of either, (vi) the breach by the Issuer, the Trustee, the Tender Agent, the Remarketing Agent, the Credit Provider, the Loan Servicer or any other Person of any of its obligations under any Transaction Document; or (vii) any other circumstance, happening or omission whatsoever, whether or not similar to any of the foregoing.

Nonrecourse Liability

Except as otherwise provided in the Loan Documents and the Credit Facility Documents, in any action or proceeding brought with respect to the Loan or the Bonds, no deficiency or other money judgment shall be enforced against the Borrower or any partner of the Borrower or any successor or

assign of the Borrower, and any judgment obtained shall be enforced only against the Mortgaged Property and other property of the Borrower encumbered by the Loan Documents and not against the Borrower or any partner of the Borrower or any successor or assign of the Borrower. Notwithstanding the foregoing, the obligations of the Borrower to pay amounts to the Issuer, the Trustee or the Tender Agent and to pay any and all rebate amounts that may be or become owing with respect to the Bonds (except with respect to any payments payable to Fannie Mae or the Loan Servicer), shall be (i) general obligations of the Borrower with recourse to the Borrower personally (provided that there shall be no recourse for such amounts against the managing general partner for the Borrower), and (ii) subordinate and junior in priority, right of payment and all other respects to any and all obligations of the Borrower under the Loan Documents and to the Credit Provider under or in respect of the Credit Facility Documents.

Obligations Unsecured

All obligations of the Borrower under the Financing Agreement and under the Regulatory Agreement, including the obligations of the Borrower with respect to the Reserved Rights, shall not be secured by the Security Instrument and shall not constitute a lien on the Mortgaged Property in any manner.

Certain Obligations Personal to the Borrower

No subsequent owner of the Mortgaged Property (including the Credit Provider as a result of a foreclosure, a deed in lieu of foreclosure or comparable conversion of the Loan) shall be liable for any breach or default of any obligation of any prior owner under the Regulatory Agreement or the Financing Agreement, including any payment or indemnification obligation. The owner of the Mortgaged Property at the time any default or breach occurs shall remain liable for any and all damages occasioned by such default or breach even after such Person ceases to be the owner. Upon seeking to collect such damages, neither the Issuer nor the Trustee shall have recourse against or the right to levy against or otherwise collect on any judgment from the Mortgaged Property.

Events of Default

The occurrence of any one or more of the following events shall constitute an Event of Default under the Financing Agreement:

(kkkkkk) The Borrower fails to pay when due any amount payable by the Borrower under the Financing Agreement.

(llllll) The Borrower fails to observe or perform any covenant or obligation in the Financing Agreement on its part to be observed or performed for a period of 30 days after receipt of written notice from the Trustee specifying such failure and requesting that it be remedied; provided, however, that if the failure cannot be corrected within such period, it shall not constitute an Event of Default if the failure is correctable without material adverse effect on the validity or enforceability of the Bonds or on the exclusion from gross income, for federal income tax purposes, of the interest on the Bonds, and if corrective action is instituted by the Borrower within such period and diligently pursued until the failure is corrected; and provided further that any such failure is cured within 90 days of receipt of notice of such failure.

(mmmmmm) The Credit Provider provides written notice to the Trustee of an Event of Default under the Financing Agreement by reason of the occurrence of an Event of Default under the Reimbursement Agreement. No Event of Default under the Reimbursement Agreement shall constitute a

default under the Financing Agreement unless specifically declared to be so by the Credit Provider. The Credit Provider shall make such declaration by written notice to the Trustee.

Remedies Upon an Event of Default

Subject to the Assignment, whenever any Event of Default occurs and is continuing under the Financing Agreement, the Issuer may take one or any combination of the following remedial steps:

(nnnnnn) by written notice to the Borrower, declare all amounts then due and payable on the Note to be immediately due and payable;

(oooooo) exercise any of the rights and remedies provided in the Loan Documents; and

(pppppp) take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and afterward to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under the Financing Agreement.

No Levy or Other Execution Against Project

Neither the Issuer nor the Trustee shall have any right to levy, execute or enforce any judgment in respect of the Borrower's obligations under the Financing Agreement, including the Reserved Rights, against the Project or any other property of the Borrower which secures the obligations of the Borrower under the Loan or to the Credit Provider under any of the Credit Facility Documents.

Amendment

No amendment to the Financing Agreement shall be binding upon the parties to the Financing Agreement until such amendment is reduced to writing and executed by such parties; provided, however, that no amendment, supplement or other modification to the Financing Agreement or any other Bond Document shall be effective without the prior written consent of the Credit Provider, subject to the provisions of the Financing Agreement.

Limited Liability of the Issuer

All obligations of the Issuer under the Financing Agreement, the Regulatory Agreement and the Indenture, shall be limited obligations of the Issuer, payable solely and only from the Trust Estate. No owner or owners of any of the Bonds shall ever have the right to compel any exercise of the taxing power of the State or any political subdivision or other public body for the payment of the Bonds, nor to enforce the payment of the Bonds against any property of the State or any such political subdivision or other public body, including the Issuer, except as provided in the Indenture. No member, officer, agent, employee or attorney of the Issuer, including any person executing the Financing Agreement on behalf of the Issuer, shall be liable personally under the Financing Agreement. No recourse shall be had for the payment of the principal of or the interest on the Bonds, for any claim based on or in respect of the Bonds or based on or in respect of the Financing Agreement, against any member, officer, employee or agent, as such, of the Issuer or any successor whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance

of the Financing Agreement and as part of the consideration for the issuance of the Bonds, expressly waived and released.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT

The following is a brief summary of the Regulatory Agreement. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Regulatory Agreement, a copy of which is on file with the Trustee.

Definitions

“*Adjusted Income*” means the adjusted income of a person (together with the adjusted income of all persons who intend to reside with such person in one residential unit) as calculated in the manner prescribed in Regulations Section 1.167(k)-3(b)(3) in effect as of the Closing Date.

“*Area*” means the Los Angeles-Long Beach Primary Metropolitan Statistical Area.

“*CDLAC*” means the California Debt Limit Allocation Committee.

“*Certificate of Continuing Program Compliance*” means the certificate with respect to the occupancy of the Project to be filed by the Borrower with the Issuer and the Trustee which shall be substantially in the form attached as an exhibit to the Regulatory Agreement.

“*Program Monitor*” means any program monitor or program monitor appointed by the Issuer to administer this Regulatory Agreement, and any successor so appointed. The initial Program Monitor shall be the Issuer.

“*Project*” means the multifamily rental housing development known as Castaic Lake Senior Apartments, located on the real property site described in an exhibit to the Regulatory Agreement, consisting of those facilities, including real property, structures, buildings, fixtures or equipment situated thereon, as it may at any time exist, the acquisition of which facilities is to be financed, in whole or in part, from the proceeds of the sale of the Bonds or the proceeds of any payment by the Borrower pursuant to the Indenture, and any real property, structures, buildings, fixtures or equipment acquired in substitution for, as a renewal or replacement of, or a modification or improvement to, all or any part of the facilities described in an exhibit to the Security Instrument.

“*Qualified Project Period*” means the period beginning on the first day on which at least ten percent (10%) of the units in the Project are first occupied and ending on the later of the following:

(A) the date that is fifteen (15) years after the date on which at least fifty percent (50%) of the units in the Project are first occupied;

(B) the first date on which no Tax-Exempt private activity bonds with respect to the Project are Outstanding; or

(C) the date on which any assistance provided with respect to the Project under Section 8 of the Housing Act terminates;

provided that, unless otherwise amended or modified in accordance with the terms hereof, the Qualified Project Period for purposes of this Regulatory Agreement shall be 55 years from the Closing Date, as required by the CDLAC Conditions.

“*Regulations*” means the Income Tax Regulations of the Department of the Treasury applicable under the Code from time to time.

“Very Low-Income Tenant” means any tenant (i) whose Adjusted Income does not exceed limits determined in a manner consistent with determinations of very low-income families under Section 8 of the Housing Act, except that the percentage of median gross income that qualifies as very low-income shall be fifty percent (50%) of median gross income for the Area with adjustments for family size; and (ii) whose income does not exceed the qualifying limits for very low-income families as established and amended from time to time pursuant to Section 8 of the Housing Act, or who otherwise qualify as very low-income households as defined by Section 50105 of the California Health and Safety Code. If all the occupants of a unit are students (as defined under Section 151(e)(4) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code, such occupants shall not qualify as Very Low-Income Tenants. The determination of a tenant’s status as a Very Low-Income Tenant shall be made by the Borrower upon initial occupancy of a unit in the Project by such tenants, on the basis of an Income Certification executed by the tenant.

“Very Low-Income Units” means the units in the Project required to be rented, or held available for occupancy by, Very Low-Income Tenants pursuant to the Regulatory Agreement.

Qualified Residential Rental Property

The Borrower acknowledges and agrees that the Project is to be owned, managed and operated in the same manner as a “residential rental project” (within the meaning of Section 142(d) of the Code) for a term equal to the Qualified Project Period. To that end, and for the term of the Regulatory Agreement, the Borrower represents, covenants, warrants and agrees as follows:

- (a) The Project will be acquired and operated for the purpose of providing multifamily residential rental property. The Borrower will own, manage and operate the Project as a project to provide multifamily residential rental property comprised of a building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities, and no other facilities, in accordance with Section 142(d) of the Code, Section 1.103-8(b) of the Regulations and the provisions of the Act, and in accordance with such requirements as may be imposed thereby on the Project from time to time.
- (b) All of the dwelling units in the Project are and will be similarly constructed units, and each dwelling unit in the Project contain and will contain complete separate and distinct facilities for living, sleeping, eating, cooking and sanitation for a single person or a family, including a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range, refrigerator and sink.
- (c) None of the dwelling units in the Project will at any time be utilized on a transient basis or rented for a period of less than 30 consecutive days, or will ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, rest home or trailer court or park.
- (d) No part of the Project will at any time during the Qualified Project Period be owned by a cooperative housing corporation, nor shall the Borrower take any steps in connection with a conversion to such ownership or use, and the Borrower will not take any steps in connection with a conversion of the Project to condominium ownership during the Qualified Project Period (except that the Borrower may obtain final map approval and the Final Subdivision Public

Report from the California Department of Real Estate and may file a condominium plan with the County of Los Angeles).

(e) All of the dwelling units in the Project (except for not more than one unit set aside for resident manager or other administrative use) will be available for rental during the Qualified Project Period on a continuous basis to members of the general public, on a first-come, first-served basis, and the Borrower will not give preference to any particular class or group in renting the dwelling units in the Project, except to the extent that dwelling units are required to be leased or rented to Very Low-Income Tenants.

(f) The Project consists of a parcel or parcels that are contiguous except for the interposition of a road, street or stream, and all of the facilities of the Project comprise a single geographically and functionally integrated project for residential rental property, as evidenced by the ownership, management, accounting and operation of the Project.

(g) No dwelling unit in the Project shall be occupied by the Borrower; provided, however, that if the Project contains five or more dwelling units, this provision shall not be construed to prohibit the occupancy of a dwelling unit by resident managers or maintenance personnel, any of whom may be the Borrower.

(h) Within 30 days after the date on which 10% of the dwelling units in the Project are occupied, the Borrower shall deliver to the Issuer and the Trustee a written notice specifying such date, and within 30 days after the date on which 50% of the dwelling units in the Project are occupied, the Borrower shall deliver to the Issuer and the Trustee a written notice specifying such date and the beginning and ending dates of the Qualified Project Period. The Borrower shall cause a copy of such notice to be recorded in the Official Records of the County of Los Angeles, California.

Very Low-Income Tenants; Reporting Requirements

Pursuant to the requirements of the Code, the Borrower represents, warrants and covenants in the Regulatory Agreement as follows:

(a) During the Qualified Project Period no less than 20% of the total number of completed units in the Project shall at all times be rented to and occupied by Very Low-Income Tenants. For the purposes of this paragraph (a), a vacant unit which was most recently occupied by a Very Low-Income Tenant is treated as rented and occupied by a Very Low-Income Tenant until reoccupied, other than for a temporary period of not more than 31 days, at which time the character of such unit shall be redetermined.

(b) No tenant qualifying as a Very Low-Income Tenant upon initial occupancy shall be denied continued occupancy of a unit in the Project because, after admission, such tenant's Adjusted Income increases to exceed the qualifying limit for Very Low-Income Tenants. However, should a Very Low-Income Tenant's Adjusted Income, as of the most recent determination thereof, exceed one hundred forty percent (140%) of the applicable income limit for a Very Low-Income Tenant of the same family size, the next available unit of comparable or smaller size must be rented to (or held vacant and available for immediate occupancy by) a Very Low-Income Tenant. Until such next available unit is rented, the former Very Low-Income Tenant who has ceased to qualify as such shall be deemed to continue to be a Very Low-Income Tenant for purposes of the twenty percent (20%) requirement of paragraph (a) under the subheading "Very Low-Income Tenants; Reporting Requirements."

(c) For the Qualified Project Period, the Borrower will obtain, complete and maintain on file Income Certifications for each Very Low-Income Tenant, including (i) an Income Certification

dated, with respect to existing Very Low-Income Tenants, within 60 days after the date that the Borrower acquires the Project and, with respect to new Very Low-Income Tenants, immediately prior to the initial occupancy of such Very Low-Income Tenant in the Project, and (ii) thereafter, an annual Income Certification with respect to each Very Low-Income Tenant; provided that such certification with respect to any tenant shall in no case cover a period greater than one year. The Borrower will provide such additional information as may be required in the future by the Code, the State or the Issuer, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures, Regulations or other official statements promulgated after the date of the Regulatory Agreement, proposed or made by the Department of the Treasury or the Internal Revenue Service with respect to Tax-Exempt obligations. A copy of the most recent Income Certifications for Very Low-Income Tenants commencing or continuing occupation of a Very Low-Income Unit shall be attached to each report to be filed with the Issuer pursuant to paragraph (e) below.

The Borrower shall make a good faith effort to verify that the income information provided by an applicant in a Verification of Income is accurate by taking one or more of the following steps as a part of the verification process: (1) obtain a pay stub for the most recent pay period, (2) obtain an income tax return for the most recent tax year, (3) obtain a credit report or conduct a similar type credit search, (4) obtain an income verification from the applicant's current employer, (5) obtain an income verification from the Social Security Administration and/or the California Department of Social Services if the applicant receives assistance from either of such agencies, or (6) if the applicant is unemployed and does not have an income tax return, obtain another form of independent verification reasonably acceptable to the Issuer.

(d) The Borrower will maintain complete and accurate records pertaining to the Very Low-Income Units, and will permit any duly authorized representative of the Issuer, the Trustee, the Department of the Treasury or the Internal Revenue Service to inspect the books and records of the Borrower pertaining to the Project, including those records pertaining to the occupancy of the Very Low-Income Units.

(e) The Borrower will prepare and submit to the Issuer, the Program Monitor, if applicable, and the Trustee, no later than the fifteenth day of each calendar quarter, until the end of the Qualified Project Period, a Certificate of Continuing Program Compliance executed by the Borrower stating (i) the percentage of the dwelling units of the Project that were occupied or deemed occupied pursuant to paragraph (a) above, by Very Low-Income Tenants during the preceding calendar quarter; and (ii) that either (A) no un-remedied defaults by the Borrower have occurred under the Regulatory Agreement, the Indenture or the Deed of Trust, or (B) a default has occurred, in which event the certificate shall describe the nature of the default in detail and set forth the measures being taken by the Borrower to remedy such default.

(f) For the Qualified Project Period, all tenant leases or rental agreements shall be subordinate to the Regulatory Agreement and the Deed of Trust. All leases pertaining to Very Low-Income Units shall contain clauses, among others, wherein each tenant who occupies a Very Low-Income Unit: (i) certifies the accuracy of the statements made in the Verification of Income; (ii) agrees that the family income and other eligibility requirements shall be deemed substantial and material obligations of the tenancy of such tenant, that such tenant will comply promptly with all requests for information with respect thereto from the Borrower, the Trustee, the Issuer or the Program Monitor on behalf of the Issuer, and that the failure to provide accurate information in the Verification of Income or refusal to comply with a request for information with respect thereto shall be deemed a violation of a substantial obligation of the tenancy of such

tenant; (iii) acknowledges that the Borrower has relied on the Verification of Income and supporting information supplied by the Very Low-Income Tenant in determining qualification for occupancy of the Very Low-Income Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease or rental agreement; and (iv) agrees that the tenant's income is subject to annual certification in accordance with paragraph (c) under the subheading "Low-Income Tenants; Reporting Requirements" and that if upon any such certification such tenant's Adjusted Income exceeds the applicable income limit under paragraph (b) under the subheading "Low-Income Tenants; Reporting Requirements," such tenant may cease to qualify as a Very Low-Income Tenant and such tenant's rent may be subject to increase.

Tax Status of the Bonds

The Borrower and the Issuer, as applicable, each represents, warrants and agrees in the Regulatory Agreement as follows:

- (a) The Borrower and the Issuer will not knowingly take or permit, or omit to take or cause to be taken, as is appropriate, any action that would adversely affect the Tax-Exempt nature of the interest on the Bonds and, if either of them should take or permit, or omit to take or cause to be taken, any such action, it will take all lawful actions necessary to rescind or correct such actions or omissions promptly upon obtaining knowledge thereof.
- (b) The Borrower and the Issuer will file of record such documents and take such other steps as are necessary, in the written opinion of Bond Counsel filed with the Issuer and the Trustee, in order to insure that the requirements and restrictions of the Regulatory Agreement will be binding upon all owners of the Project, including, but not limited to, the execution and recordation of the Regulatory Agreement in the real property records of the County of Los Angeles.
- (c) The Borrower covenants in the Regulatory Agreement to include or reference the requirements and restrictions contained in the Regulatory Agreement in any documents transferring any interest in the Project to another person to the end that such transferee has notice of, and is bound by, such restrictions, and, to obtain the agreement from any transferee to abide by all requirements and restrictions of the Regulatory Agreement.

Additional Requirements of the Act

In addition to the requirements set forth above, the Borrower agrees in the Regulatory Agreement that it shall comply with each of the requirements of the Act applicable to the project without limiting the foregoing, the Borrower agrees as follows:

- (a) Not less than 20% of the total number of units in the Project shall be available for occupancy on a priority basis by "low-income tenants" as required by subsection 34312.3 (c) of the Act, one-half of which units shall be made available to Very Low-Income Tenants
- (b) The rental payments for the Very Low-Income Units paid by the tenants thereof (excluding any supplemental rental assistance from the State, the federal government or any other public agency to those tenants or on behalf of those units) shall not exceed 30% of an amount equal to 50% of the median adjusted gross income for the Area.
- (c) Subject to any Section 8 contract for the Project, the Borrower shall accept as tenants, on the same basis as all other prospective tenants, very low-income persons who are recipients of federal certificates or vouchers for rent subsidies pursuant to the existing program under Section 8 of the Housing Act. The Borrower shall not permit any selection criteria to be applied to

Section 8 certificate or voucher holders that is more burdensome than the criteria applied to all other prospective tenants.

(d) No tenant residing in a unit reserved as required by paragraph (a) above shall be denied continued occupancy of a unit in the Project because, after admission, such tenant's Adjusted Income increases to exceed the qualifying limit for low-income tenants or Very Low-Income Tenants. However, should the Adjusted Income of a tenant residing in a reserved unit increase to exceed the qualifying limit, the next available unit must be rented to (or held vacant and available for immediate occupancy by) a tenant whose income satisfies the requirement of paragraph (a) under the subheading "Low-Income Tenants; Reporting Requirements." Until such next available unit is rented to a qualified tenant, the former low-income tenant or Very Low-Income Tenant who has ceased to qualify as such shall be deemed to continue to be a low-income tenant or Very Low-Income Tenant for purposes of the requirement of paragraph (a) under the subheading "Low-Income Tenants; Reporting Requirements."

(e) The units reserved for occupancy as required by paragraph (a) above shall remain available on a priority basis for occupancy until the Bonds are retired or at all times during the Qualified Project Period.

Additional Requirements of the Issuer

In addition to the requirements set forth above and to the extent not prohibited thereby, the Borrower agrees in the Regulatory Agreement to comply with each of the requirements of the Issuer set forth in this section, as follows:

(a) Not less than 20% of the units in the Project shall be available on a priority basis for occupancy by Very Low-Income Tenants paying rents not to exceed Affordable Rents. The requirements of this section and the requirements in paragraph (a) under the subheading "Very Low-Income Tenants; Reporting Requirements" and in paragraph (a) under the subheading "Additional Requirements of the Act" are not cumulative, but each must be satisfied.

(b) The Borrower will pay to the Issuer all of the amounts required to be paid to the Issuer by the Financing Agreement, and will indemnify the Issuer and the Trustee as provided in the Financing Agreement and the Regulatory Agreement.

(c) All tenant lists, applications and waiting lists relating to the Project shall at all times be kept separate and identifiable from any other business of the Borrower and shall be maintained as required by the Issuer, in a reasonable condition for proper audit and subject to examination during business hours by representatives of the Issuer.

(d) The Borrower shall submit to the Issuer, (i) not later than the fifteenth (15th) day after the close of each calendar year, a statistical report in the form set forth as an exhibit to the Regulatory Agreement, or such other form as may be reasonably prescribed by the Issuer, setting forth the information called for therein, and (ii) within fifteen (15) days after receipt of a written request, any other information or completed forms requested by the Issuer in order to comply with reporting requirements of the Internal Revenue Service or the State of California.

(e) The covenants and conditions of the Regulatory Agreement shall be binding upon successors in interest of the Borrower.

(f) Each of the requirements set forth under the subheadings "Qualified Residential Rental Project," "Very Low-Income Tenants; Reporting Requirements," and "Additional Requirements of the Act" is incorporated as a specific requirement of the Issuer, whether or not required by California or federal law, and shall be in force for the Qualified Project Period.

(g) The Borrower acknowledges that the Issuer may appoint a Program Monitor other than the Issuer (at no additional cost to the Borrower) to administer the Regulatory Agreement and to

monitor performance by the Borrower of the terms, provisions and requirements of the Regulatory Agreement. In such event, the Borrower shall comply with any request by the Issuer to deliver to any such Program Monitor, in addition to or instead of the Issuer, any reports, notices or other documents required to be delivered pursuant to the Regulatory Agreement, and to make the Project and the books and records with respect thereto available for inspection by the Program Monitor as an agent of the Issuer.

(h) The Trustee will collect the annual administration fee for the Issuer in an amount equal to \$11,625 from the Borrower, payable in advance on each anniversary of the Closing Date (commencing on the Closing Date and continuing through the termination of the Regulatory Agreement), which the Trustee shall collect pursuant to the Indenture and remit to the Issuer as provided therein. The Borrower will also pay, within thirty (30) days after receipt of request for payment thereof, all reasonable out-of-pocket expenses of the Issuer (not including salaries and wages of Issuer employees) related to the Project and the financing thereof that are not otherwise required to be paid by the Borrower under the terms of the Regulatory Agreement or the Financing Agreement, including, without limitation, reasonable legal fees and expenses incurred in connection with the interpretation, performance, enforcement or amendment of any documents relating to the Project, the Loan or the Bonds. Notwithstanding any prepayment of the Loan and notwithstanding a discharge of the Bonds, the Borrower shall continue to pay (or, to the extent allowed under the Code, may prepay the present value at such time of) the Issuer's fees, unless such prepayment is made in connection with a refunding of the Bonds.

(i) The Borrower shall comply with the conditions set forth in Exhibit A-2 of that certain CDLAC Resolution No. 03-54 relating to the Project and adopted on March 26, 2003 (the "CDLAC Conditions"), as they may be modified or amended from time to time, which conditions are incorporated into the Regulatory Agreement by reference and made a part thereof. The Borrower will prepare and submit to CDLAC, not later than each anniversary of the Closing Date, until the end of the Qualified Project Period, a Certificate of CDLAC Program Compliance, in substantially the form attached as an exhibit to the Regulatory Agreement, executed by an authorized representative of the Borrower. The Issuer and the Program Monitor shall have no obligation to monitor the Borrower's compliance with the CDLAC Conditions. Any of the foregoing requirements of the Issuer (except (i) above which may be expressly waived by CDLAC) may be expressly waived by the Issuer in writing, but (i) no waiver by the Issuer of any requirement of this section shall, or shall be deemed to, extend to or affect any other provision of the Regulatory Agreement except to the extent the Issuer has received an Opinion of Bond Counsel that any such provision is not required by the Act and may be waived without adversely affecting the exclusion from gross income of interest on the Bonds for federal income tax purposes; and (ii) any requirement of this section shall be void and of no force and effect if the Issuer and the Borrower receive an Opinion of Bond Counsel to the effect that compliance with any such requirement would cause interest on the Bonds to cease to be Tax-Exempt or to the effect that compliance with such requirement would be in conflict with the Act or any other state or federal law.

Sale or Transfer of the Project

For the Qualified Project Period, the Borrower shall not, except as provided below and in accordance with the Financing Agreement and the Security Instrument, sell, transfer or otherwise dispose of the Project, in whole or in part, without the prior written consent of the Issuer, which consent shall not be unreasonably withheld or delayed if the following conditions are satisfied:

(A) the receipt by the Issuer of evidence acceptable to the Issuer that (1) the Borrower shall not be in default under the Regulatory Agreement or under the Financing Agreement (which may be evidenced by a Certificate of Continuing Program Compliance) or the purchaser or assignee undertakes to cure any defaults of the Borrower to the reasonable satisfaction of the Issuer; (2) the continued operation of the Project shall comply with the provisions of the Regulatory Agreement; (3) either (a) the purchaser or assignee or its property manager has at least three years' experience in the ownership, operation and management of similar size rental housing projects, and at least one year's experience in the ownership, operation and management of rental housing projects containing below-market-rate units, without any record of material violations of discrimination restrictions or other state or federal laws or regulations or local governmental requirements applicable to such projects, or (b) the purchaser or assignee agrees to retain a property management firm with the experience and record described in subclause (a) above, or (c) the transferring Borrower or its management company will continue to manage the Project for at least one year following such transfer and during such period will provide training to the transferee and its manager in the responsibilities relating to the Very Low-Income Units; and (4) the person or entity which is to acquire the Project does not have pending against it, and does not have a history of significant and material building code violations or complaints concerning the maintenance, upkeep, operation, and regulatory agreement compliance of any of its projects as identified by any local, state or federal regulatory agencies; (B) the execution by the purchaser or assignee of any document reasonably requested by the Issuer or the Trustee with respect to the assumption of the Borrower's obligations under the Regulatory Agreement and, if the Bonds are outstanding at the time of transfer, the Financing Agreement, including without limitation an instrument of assumption thereof, and delivery to the Issuer of an opinion of such purchaser or assignee's counsel to the effect that each such document and the Regulatory Agreement are valid, binding and enforceable obligations of such purchaser or assignee, subject to bankruptcy and other standard limitations affecting creditor's rights; (C) receipt by the Issuer of an opinion of Bond Counsel addressed to the Issuer to the effect that any such sale, transfer or other disposition will not adversely affect the Tax-Exempt status of interest on the Bonds; (D) receipt by the Issuer and Trustee of all fees and/or expenses then currently due and payable to the Issuer and Trustee; and (E) satisfaction of such other conditions as the Issuer may reasonably impose. It is expressly stipulated and agreed in the Regulatory Agreement that any sale, transfer or other disposition of the Project in violation of this section shall be null, void and without effect, shall cause a reversion of title to the Borrower, and shall be ineffective to relieve the Borrower of its obligations under the Regulatory Agreement. Nothing in the section shall affect any provision of any other document or instrument between the Borrower and any other party which requires the Borrower to obtain the prior written consent of such other party in order to sell, transfer or otherwise dispose of the Project or any interest (direct or indirect) therein or in the Borrower. Upon any sale or other transfer that complies with the Regulatory Agreement, the Borrower shall be fully released from its obligations under the Regulatory Agreement to the extent such obligations have been fully assumed in writing by the transferee of the Project. For the Qualified Project Period, the Borrower shall not: (1) encumber any of the Project or grant commercial leases of any part thereof, or permit the conveyance, transfer or encumbrance of any part of the Project, except pursuant or subordinate to the provisions of the Regulatory Agreement and the Security Instrument (and upon receipt by the Borrower of an opinion of Bond Counsel that such action will not adversely affect the Tax-Exempt status of interest on the Bonds; provided that such opinion will not be required with respect to any encumbrance, lease or

transfer relating to a commercial operation or ancillary facility that will be available for tenant use and is customary to the operation of multifamily housing developments similar to the Project), or except upon a sale, transfer or other disposition of the Project in accordance with the terms of the Regulatory Agreement; (2) demolish any part of the Project or substantially subtract from any real or personal property of the Project, except to the extent that what is removed is replaced with comparable property; or (3) permit the use of the dwelling accommodations of the Project for any purpose except rental residences.

Term

The Regulatory Agreement and all and several of the terms thereof shall become effective upon its execution and delivery, and shall remain in full force and effect for the period provided therein and shall terminate as to any provision not otherwise provided with a specific termination date and shall terminate in its entirety at the end of the Qualified Project Period, it being expressly agreed and understood that the provisions thereof are intended to survive the retirement of the Bonds and discharge of the Indenture and the Financing Agreement.

The terms of the Regulatory Agreement to the contrary notwithstanding, the requirements thereof shall terminate and be of no further force and effect in the event of involuntary noncompliance with the provisions of the Regulatory Agreement caused by fire, seizure, requisition, change in a federal law or an action of a federal agency after the Closing Date, which prevents the Issuer and the Trustee from enforcing such provisions, or condemnation or foreclosure, transfer of title by deed in lieu of foreclosure, or a similar event, but only if, within a reasonable period, either the Bonds are retired or amounts received as a consequence of such event are used to provide a project that meets the requirements thereof; provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained therein shall be reinstated if, at any time subsequent to the termination of such provisions as the result of the foreclosure or the delivery of a deed in lieu of foreclosure or a similar event, the Borrower or any related person (within the meaning of Section 1.103-10(e) of the Regulations) obtains an ownership interest in the Project for federal income tax purposes. The Borrower agrees in the Regulatory Agreement that, following any foreclosure, transfer of title by deed in lieu of foreclosure or similar event, neither the Borrower nor any such related person as described above will obtain an ownership interest in the Project for federal tax purposes. Notwithstanding any other provision of the Regulatory Agreement, the Regulatory Agreement may be terminated upon agreement by the Issuer, the Trustee and the Borrower upon receipt by the Issuer and the Trustee of an opinion of Bond Counsel to the effect that such termination will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. Upon the termination of the terms of the Regulatory Agreement, the parties thereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms thereof; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of the Regulatory Agreement in accordance with its terms.

Enforcement

If the Borrower defaults in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in the Regulatory Agreement, and if such default remains uncured for a period of 60 days after notice thereof shall have been given by the Issuer or the

Trustee to the Borrower, or for a period of 60 days from the date the Borrower should, with reasonable diligence, have discovered such default, then the Issuer or the Trustee (as directed by the Issuer, subject to the provisions of the Indenture) acting on its own behalf or on behalf of the Issuer, shall declare an “Event of Default” to have occurred under the Regulatory Agreement; provided, however, that if the default is of such a nature that it cannot be corrected within 60 days, such default shall not constitute an Event of Default thereunder so long as (i) the Borrower institutes corrective action within said 60 days and diligently pursues such action until the default is corrected, (ii) in the opinion of Bond Counsel, the failure to cure said default within 60 days will not adversely affect the Tax-Exempt status of interest on the Bonds, and (iii) no Determination of Taxability occurs; and provided further, that notice shall be given to the Borrower’s Limited Partner (as designated in the Regulatory Agreement), who shall be entitled to cure any such default under the conditions set forth therein. The Issuer and the Trustee shall have the right to enforce the obligations of the Borrower under the Regulatory Agreement within shorter periods of time than are otherwise provided therein if necessary to insure compliance with the Act or the Code.

Following the declaration of an Event of Default under the Regulatory Agreement, the Issuer or the Trustee, at the direction of the Issuer, subject to the provisions of the Indenture, may take any one or more of the following steps, in addition to all other remedies provided by law or equity:

- (i) by mandamus or other suit, action or proceeding at law or in equity, including injunctive relief, require the Borrower to perform its obligations and covenants under the Regulatory Agreement or enjoin any acts or things that may be unlawful or in violation of the rights of the Issuer or the Trustee thereunder;
- (ii) have access to and inspect, examine and make copies of all of the books and records of the Borrower pertaining to the Project;
- (iii) require the Borrower to pay to the Issuer an amount equal to the rent or other amounts received by the Borrower for any units in the Project which were in violation of the Regulatory Agreement during the period such violation continued (which payment shall not reduce the amount due under the Loan);
- (iv) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Borrower under the Regulatory Agreement; and
- (v) subject to the provisions of the Financing Agreement, declare a default thereunder and proceed with any remedies provided therein.

The Borrower agrees in the Regulatory Agreement that specific enforcement of the Borrower’s agreements contained therein is the only means by which the Issuer may fully obtain the benefits of such agreements made by the Borrower therein, and the Borrower therefore agrees to the imposition of the remedy of specific performance against it in the case of any Event of Default by the Borrower thereunder.

In addition, during the Qualified Project Period, the Borrower grants to the Issuer the option, upon the expiration of 60 days after the giving of the notice to the Borrower referred to in the first paragraph of this section of the Borrower’s default under the Regulatory Agreement, to lease up to 20% of the units in the Project for the purpose of subleasing such units to Very Low-Income Tenants, but only to the extent necessary to comply with the provisions of the Regulatory Agreement. The option granted in the preceding sentence shall be effective only if the Borrower has not instituted corrective action within such 60-day period. Such option shall be exercisable first with respect to units which are vacant at the time of exercise of this option and shall be

exercised with respect to occupied units only to the extent that subleasing of additional units is necessary in order to bring the Project into compliance with the provisions of the Regulatory Agreement, and any eviction carried out in connection with the exercise of such option shall be carried out in compliance with applicable laws. The option and any leases to the Issuer under this provision shall terminate with respect to each default upon the achievement, by the Borrower or the Issuer, of compliance with the requirements of the Regulatory Agreement, and any subleases entered into pursuant to the Issuer's option shall be deemed to be leases from the Borrower. The Issuer shall make diligent efforts to rent Very Low-Income Units to Very Low-Income Tenants for monthly rental amounts equivalent to those collected from tenants of similar units in the Project, or such lesser maximum amounts as may be permitted by paragraph (b) under the subheading "Additional Requirements of the Act," but shall not be required to obtain such rental amounts. The Issuer shall seek to rent such units for the highest possible rents that may be charged, consistent with the rent and occupancy restrictions of the Regulatory Agreement. Tenant selection shall be performed utilizing the Borrower's reasonable management and selection policies. The Issuer subleases to Very Low-Income Tenants pursuant to this paragraph shall not exceed six months in term and shall expressly permit the Borrower to increase the rents to the maximum amounts as may be permitted by paragraph (b) under the subheading "Additional Requirements of the Act," for the respective households at the time the Borrower assumes the Issuer's position under the Regulatory Agreement. Any rental paid under any such sublease shall be paid to the Borrower after the Issuer has been reimbursed for any expenses incurred in connection with such sublease. All rents received by the Issuer from such subleases, less the Issuer's expenses incurred in connection with such subleases, shall be placed into an escrow reasonably approved by the Borrower. All funds in such escrow shall be continuously pledged by the Issuer for the benefit of the Borrower. The Issuer agrees to allow the Borrower access to the Issuer's books and records relating to the collection and disbursement of rents received pursuant to such subleases.

The Trustee shall have the right, in accordance with this section and the provisions of the Indenture, without the consent or approval of the Issuer, to exercise any or all of the rights or remedies of the Issuer under the Regulatory Agreement; provided that prior to taking any such action the Trustee shall give the Issuer written notice of its intended action. After the Indenture has been discharged, the Issuer may act on its own behalf to declare an "Event of Default" to have occurred and to take any one or more of the steps specified above to the same extent and with the same effect as if taken by the Trustee.

All reasonable fees, costs and expenses of the Trustee and the Issuer incurred in taking any action pursuant to this section shall be the sole responsibility of the Borrower.

No breach or default under the Regulatory Agreement shall defeat or render invalid any deed of trust, mortgage or like encumbrance upon the Project or any portion thereof given in good faith and for value.

The Trustee shall not be deemed to have knowledge of any default under the Regulatory Agreement unless a responsible officer of the Trustee shall have been specifically notified in writing of such default by the Issuer, the Program Monitor or by the owners of at least 25% of the aggregate principal amount of Bonds outstanding.

Notwithstanding anything to the contrary contained in the Regulatory Agreement, Trustee and the Issuer agree that any cure of any default made or tendered by one or more of Borrower's limited partners shall be deemed to be a cure by Borrower and shall be accepted or rejected on the same basis as if made or tendered by Borrower.

APPENDIX E
FORM OF CREDIT FACILITY
[To Come]

APPENDIX F

SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT

The following statements are a brief summary of certain provisions of the Reimbursement Agreement that have not been described elsewhere in this Official Statement. The summary does not purport to be complete, and reference is made to the Reimbursement Agreement for a full and complete statement of the provisions thereof.

The Credit Facility is issued pursuant to the Reimbursement Agreement which obligates the Borrower, among other things, to reimburse Fannie Mae for funds advanced by Fannie Mae under the Credit Facility and to pay various fees and expenses, in each case as provided in the Reimbursement Agreement.

The Reimbursement Agreement sets forth various affirmative and negative covenants of the Borrower, some of which are more restrictive with respect to the Borrower than similar covenants in the Financing Agreement.

Events of Default

The occurrence of any one or more of the following events constitutes an event of default under the Reimbursement Agreement:

(qqqqqq) the Borrower fails to pay when due any amount payable by the Borrower under the Reimbursement Agreement, the Note, the Financing Agreement, the Security Instrument or any other Transaction Document (as defined in the Reimbursement Agreement); or

(rrrrrr) the occurrence of a Borrower Default under the Construction Phase Reimbursement Agreement; or

(ssssss) the occurrence of any Event of Default under any Transaction Document other than the Reimbursement Agreement beyond any cure period set forth in the Transaction Document; or

(tttttt) fraud or material misrepresentation or material omission by the Borrower or any of its officers, directors, trustees, general partners or managers, Key Principal (as defined in the Reimbursement Agreement) or any guarantor: (i) contained in the Reimbursement Agreement, the Certificate of Borrower or any other Borrower Document or any certificate delivered by the Borrower to Fannie Mae or the Loan Servicer pursuant to the Reimbursement Agreement or any other Borrower Document; or (ii) in connection with (A) the application for or creation of the Loan or the credit enhancement or liquidity for the Bonds provided by the Credit Facility, (B) any financial statement, rent roll, or other report or information provided to Fannie Mae or the Loan Servicer during the term of the Reimbursement Agreement or the Loan, or (C) any request for Fannie Mae's consent to any proposed action, including a request for disbursement of funds under any Collateral Agreement; or

(uuuuuu) a Tax Event (as that term is defined in the Indenture) occurs;

(vvvvvv) any failure by the Borrower to perform or observe any of its obligations under the Reimbursement Agreement (other than as set forth in subsections (a) through (d) above), as and when required, which continues for a period of 30 days after notice of such failure by Fannie Mae or the Loan Servicer to the Borrower, but no such notice or grace period shall apply in the case of any such failure

which could, in Fannie Mae's or the Loan Servicer's judgment, absent immediate exercise by Fannie Mae of a right or remedy under the Reimbursement Agreement, result in harm to Fannie Mae, impairment of the Note, the Reimbursement Agreement, the Security Instrument or any other security given under any other Transaction Document; or

(wwwwww) the Borrower fails to pay when due or within any applicable grace period any amount payable by the Borrower under any Hedging Arrangement, or the occurrence of any other default or event of default, however, described, by the Borrower under any Hedging Arrangement.

Remedies Upon an Event of Default

Upon the occurrence of an Event of Default under the Reimbursement Agreement, the Obligations (as defined in the Reimbursement Agreement) and all amounts owing under the Reimbursement Agreement may be declared by the Credit Provider to become immediately due and payable without presentment, demand, protest or notice of any kind, including notice of default, notice of intent to accelerate or notice of acceleration. In addition to the foregoing, the Credit Provider shall have the right to take such action at law or in equity, without notice or demand, as it deems advisable to protect and enforce the rights of the Credit Provider against the Borrower and/or in and to the Mortgaged Property, including, but not limited to, any one or more or all of the following actions:

(xxxxxx) deliver to the Trustee written notice that an Event of Default has occurred under the Reimbursement Agreement and direct the Trustee to take such action pursuant to the Transaction Documents as the Credit Provider may determine, including a request that the Trustee declare the principal of all or a portion of the Bonds then outstanding and the interest accrued thereon to be immediately due and payable in accordance with the terms and conditions of the Indenture;

(yyyyyy) demand cash collateral or Permitted Investments in an amount equal to the maximum liability of Fannie Mae under the Credit Enhancement Instrument, whether or not then due and payable by Fannie Mae; and

(zzzzzz) exercise any rights and remedies available to the Credit Provider under the Transaction Documents.

Waivers

Fannie Mae shall have the right, in its discretion, to waive any Event of Default under the Reimbursement Agreement. Unless such waiver expressly provides to the contrary, any waiver so granted shall extend only to the specific event or occurrence which gave rise to the Event of Default so waived and not to any other similar event or occurrence which occurs subsequent to the date of such waiver.

APPENDIX G

SUMMARY OF CERTAIN PROVISIONS OF THE NOTE

The following is a brief summary of the Note. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Note, a copy of which is on file with the Trustee.

Evidences Loan

The Note evidences the Loan.

Payment Terms

Under the terms of the Note the Borrower promises to pay to the order of the Issuer a principal sum equal to the original principal amount of the Bonds with interest on the unpaid balance from the date of the Note, until paid, at the Note Rate described below. The Note is payable interest only, monthly, until maturity, provided that any remaining indebtedness, if not sooner paid, is due and payable on the Maturity Date for the Bonds. Any principal of the Note not paid on the Maturity Date shall continue to bear interest from the Maturity Date, as set forth in the Note, from and including the Maturity Date, but excluding the date on which such amount is paid in full. The Issuer will endorse the Note to the order of the Trustee and Fannie Mae, as their interests may appear.

Except as otherwise provided in the Financing Agreement, the Borrower shall pay Note Interest (as hereinafter defined), in arrears, beginning with the first Note Interest Payment Date (as hereinafter defined) after the month in which the Bonds are issued and delivered to or upon the order of the Underwriter to fund the Loan (the "Closing Date"). "Note Interest Payment Date" means (a) during any Weekly Variable Rate Period, each Interest Payment Date with respect to the Bonds; (b) during any Reset Period, the first day of each calendar month following the Adjustment Date, provided that the first Note Interest Payment Date may only occur on a date which is at least 30 days after the Adjustment Date; (c) during the Fixed Rate Period, the 15th day of each calendar month following the Adjustment Date, provided that the first Note Interest Payment Date at the Fixed Rate may not be the Adjustment Date; (d) each Adjustment Date; and (e) the Maturity Date.

Note Interest

Except as otherwise provided in the Note, interest ("Note Interest") shall accrue on the unpaid principal of the Note from, and including, the Closing Date until paid in full at an annual rate as follows:

(aaaaaaa) Weekly Variable Rate. If the interest rate on the Bonds is a Weekly Variable Rate, a variable rate of interest which floats and changes with, and is equal to, the Weekly Variable Rate; or

(bbbbbbb) Reset Rate. If the interest rate on the Bonds is a Reset Rate, the Reset Rate; or

(ccccccc) **Fixed Rate.** If the interest rate on the Bonds is the Fixed Rate, the Fixed Rate adjusted to include additional interest, if any, necessary to ensure that monthly payments of the Note Interest are sufficient to provide for payment of regularly scheduled interest on the Bonds.

Note Interest shall automatically and simultaneously change with each corresponding change in the interest rate on the Bonds under the Indenture. Notwithstanding any other provision of the Note to the contrary, Note Interest shall not exceed the Maximum Rate (as hereinafter defined), as the Maximum Rate may change in accordance with the Indenture. During the Weekly Variable Rate Period, Note Interest shall be computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as applicable. During any other period, Note Interest shall be computed on the basis of a 360 day year comprised of twelve 30 day months. “Maximum Rate” means 12% per annum; provided, however, that the Maximum Rate may be increased if the Trustee receives (a) the written consent of the Credit Provider to a specified higher Maximum Rate not to exceed the lesser of the maximum rate permitted by law to be paid on the Bonds and the maximum rate chargeable on the Loan, (b) an opinion of Bond Counsel to the effect that such higher Maximum Rate is permitted by law and will not adversely affect either the validity of the Bonds or the exclusion of the interest payable on the Bonds from gross income for federal income tax purposes, and (c) a new or amended Credit Facility in an amount equal to the sum of (i) the then outstanding principal amount of the Bonds and (ii) the new Interest Requirement calculated using the new Maximum Rate.

Voluntary and Mandatory Prepayments

THE BORROWER MAY BE REQUIRED TO PAY A TERMINATION FEE TO THE CREDIT PROVIDER. PREPAYMENTS ARE SUBJECT TO LOAN SERVICING UNDER THE REIMBURSEMENT AGREEMENT. SEE THE REIMBURSEMENT AGREEMENT FOR ALL DETAILS.

(ddddddd) ***Prepayment Premium.*** Any prepayment of the principal of the Note will result in a redemption of a corresponding amount of the Bonds. A redemption premium may be payable to Bondholders in connection with such redemption of Bonds. In order to provide funds to pay any redemption premium due on the bonds, the Borrower shall pay such amount as prepayment premium under the Note. Such redemption premium shall be paid in addition to any other amounts due under the Note. The Borrower shall pay any prepayment premium with Available Moneys. The Borrower acknowledged in the Note that the Credit Provider is not credit enhancing the payment of any prepayment premium under the Note or redemption premium payable to Bondholders. The Borrower also understands that the prepayment premium provided for in this subsection is separate and apart from any Termination Fee payable to the Credit Provider under the Reimbursement Agreement.

(eeeeeee) ***Timing of Credit of Payments as Prepayments.*** No payment to be applied as a prepayment (whether voluntary or mandatory) of principal of the Note shall be credited against the unpaid principal of the Note until the date on which Bonds in a like amount are redeemed or defeased pursuant to the Indenture. Until the Borrower’s payment is credited as a prepayment, the amount of the intended prepayment shall continue to be unpaid principal of the Note and shall continue to bear interest to the date of prepayment.

(ffffff) ***Voluntary Prepayments.*** The Borrower may voluntarily prepay the Note only during the periods or on the dates, as appropriate, as described in the following clauses:

(xxxiii) *During Weekly Variable Rate Period.* On any Interest Payment Date for the Bonds within a Weekly Variable Rate Period, the Borrower may voluntarily prepay the principal balance of the Note, in whole or in part.

(xxxiv) *On Adjustment Date.* On any Adjustment Date, the Borrower may voluntarily prepay the principal balance of the Note, in whole or in part.

(xxxv) *During Reset Period or Fixed Rate Periods.* On any date within a Reset Period or Fixed Rate Period when the Bonds may be optionally redeemed, the Borrower may voluntarily prepay the principal balance of the Note, in whole or in part.

Limits on Personal Liability

Except as otherwise described below or in any of the other Loan Documents, the Borrower shall have no personal liability under the Note, the Security Instrument or any other Loan Document for the repayment of the Note or for the performance of any other obligations of the Borrower under the Loan Documents, and the Issuer's only recourse for the satisfaction of the Note and the performance of such obligations shall be the Issuer's exercise of its rights and remedies with respect to the Mortgaged Property and any other collateral held by the Issuer as security for the Note. This limitation on the Borrower's liability shall not limit or impair the Issuer's enforcement of its rights against any guarantor of the Note or any guarantor of any other obligations of the Borrower.

The Borrower shall be personally liable to the Issuer for the repayment of a portion of the Note equal to any loss or damage suffered by the Issuer as a result of (a) failure of the Borrower to pay to the Issuer upon demand after an Event of Default under the Security Instrument, all rents to which the Issuer is entitled under the Security Instrument and the amount of all security deposits collected by the Borrower from tenants then in residence; (b) failure of the Borrower to apply all insurance proceeds and condemnation proceeds as required by the Security Instrument; (c) failure of the Borrower to comply with the provisions of the Security Instrument relating to the delivery of books and records, statements, schedules and reports; (d) fraud or written material misrepresentation by the Borrower, Key Principal or any officer, director, partner, member or employee of the Borrower in connection with the application for or creation of the Loan or any request for any action or consent by the Issuer; or (e) failure to apply Rents, first, to the payment of reasonable operating expenses (other than Project management fees that are not currently payable pursuant to the terms of an Assignment of Management Agreement or any other agreement with the Issuer executed in connection with the Loan) and then to amounts ("Debt Service Amounts") payable under the Note, the Security Instrument or any other Loan Document (except that the Borrower will not be personally liable (i) to the extent that the Borrower lacks the legal right to direct the disbursement of such sums because of a bankruptcy, receivership or similar judicial proceeding, or (ii) with respect to rents that are distributed in any calendar year if the Borrower has paid all operating expenses and Debt Service Amounts for that calendar year).

The Borrower shall become personally liable to the Issuer for the repayment of all of the principal of and interest on the Note and for the payment, performance and observation of all obligations, covenants and agreements of the Borrower contained in the Security Instrument, including the payment of all sums advanced by or on behalf of Issuer to protect the security of the Note under the Security Instrument, upon the occurrence of any of the following Events of Default: (a) the Borrower's acquisition of any property or operation of any business not permitted by the Security Instrument; or (b) a Transfer (as that term is defined in the Security

Instrument) that is an Event of Default under the Security Instrument; or (c) a Bankruptcy Event, as defined in the Note.

To the extent that the Borrower has personal liability as described above, the Issuer may exercise its rights against the Borrower personally without regard to whether the Issuer has exercised any rights against the Mortgaged Property or any other security, or pursued any rights against any guarantor, or pursued any other rights available to the Issuer under the Note, the Security Instrument, any other Loan Document or applicable law. If the Borrower is a married person, then Borrower agrees that the holder of the Note may look to all of the Borrower's community property and separate property to satisfy Borrower's recourse obligations under this paragraph. For purposes of this paragraph, the term "Mortgaged Property" shall not include any funds that (a) have been applied by the Borrower as required or permitted by the Security Instrument prior to the occurrence of an Event of Default under the Security Instrument, or (b) the Borrower was unable to apply as required or permitted by the Security Instrument because of a bankruptcy, receivership, or similar judicial proceeding.

APPENDIX H

THE BORROWER AND THE PROJECT

The following information concerning the Borrower and the Project has been provided by representatives of the Borrower and the other private participants and has not been independently confirmed or verified by either the Underwriter, Bond Counsel or the Issuer. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

Plan Of Financing

The total permanent project costs of the Project are estimated by the Borrower to be \$15,800,000, not including interim sources or uses of funds or accrued interest on the Bonds. The sources and uses of funds for the Project are projected to be approximately as follows:

Sources of Funds:

<u>Bond Proceeds</u>	<u>\$9,300,000</u>
<u>HOME Loan</u>	<u>\$1,234,000</u>
<u>Deferred Developer Fees</u>	<u>\$436,000</u>
<u>Tax Credit Equity</u>	<u>\$4,500,000</u>
<u>Interim Cash Flow From Operations</u>	<u>\$330,000</u>
	<u>\$15,800,000</u>
<u>Total</u>	

Uses of Funds:

<u>Land</u>	<u>\$1,578,000</u>
<u>Construction/Rehabilitation</u>	<u>\$8,521,000</u>
<u>Architecture and Engineering</u>	<u>\$310,000</u>
<u>Costs of Issuance</u>	<u>\$785,000</u>
<u>Other Financing Costs</u>	<u>\$416,000</u>
<u>Reserves</u>	<u>\$191,000</u>
<u>Construction Contingency</u>	<u>\$750,000</u>
<u>Government Fees</u>	<u>\$1,155,000</u>
<u>Construction Loan Interest</u>	<u>\$894,000</u>
<u>Developer Fee</u>	<u>\$1,200,000</u>
<u>Total</u>	<u>\$15,800,000</u>

HOME Loan

The Project will utilize a \$1,234,000 subordinate HOME loan (the "Home Loan") from the Los Angeles County Community Development Commission. It is a 40-year loan with an annual interest rate of 3%, and is repaid from 50% of Project residual cash

flow after any deferred developer fees have been fully paid. Payment and security for the Home Loan are subordinate to that for the Bonds.

Low-Income Housing Tax Credit Based Equity Syndication

Simultaneously with the issuance of the Bonds, the Borrower expects to sell to Paramount Financial Group, Inc. or its affiliate (the "Tax Credit Partner") a 99.99% limited partnership interest in the Borrower. Pursuant to this sale, the equity funding arrangements for the funding of the tax credit equity are expected to be approximately as follows: (a) 25% at start of construction; (b) 45% during the course of construction, (c) 15% to be funded in the quarter ending December 31, 2004, based on construction completion and certain final cost certifications; and (d) 15% assumed to be funded in the quarter ending September 30, 2005 upon receipt of all IRS Forms 8609, qualification of all units as tax credit units, achievement of a minimum 1.15 debt service coverage ratio on the permanent loan, and achievement of a then current occupancy level of 95%. These funding levels and the timing of the funding are subject to numerous adjustments and conditions which could result in the amounts funded and/or the timing or even occurrence of the funding varying significantly from the projections set forth above and neither the Issuer nor the Underwriters make any representation as to the availability of such funds.

The Borrower

The Borrower is Castaic Senior Communities, L.P., a California limited partnership, formed for the purpose of establishing, owning, maintaining, and operating the Project. The managing general partner of the Borrower, with a 0.005% ownership interest, will be Santa Clarita Valley Committee on Aging Corporation, a California nonprofit public benefit corporation (the "Managing General Partner"). The co-general partner of the Borrower, with a 0.005% ownership interest, will be Castaic Senior Communities LLC, a California limited liability company (the "Co-General Partner"). The limited partner of the Borrower will be the Tax Credit Partner, with a 99.99% ownership interest in the Borrower.

The Managing General Partner was incorporated in October, 1976 as a California nonprofit public benefit corporation and has received exempt status as an organization under Section 501(c)(3) of the Internal Revenue Code. The specific charitable and public purposes for which the Managing General Partner is organized are to provide a broad range of services to low and moderate income seniors in the Santa Clarita Valley area of California, and operate the Santa Clarita Valley Senior Center.

The Managing General Partner has prior experience in the ownership of multifamily rental housing projects. The Managing General Partner currently operates Bouquet Canyon Senior Apartments, a 264 unit property in the city of Santa Clarita, and is currently developing Canyon Country Senior Apartments, a 200 unit property also located in Santa Clarita and presently under construction. Both prior projects were developed jointly with affiliates of the Co-General Partner.

The sole member of the Co-General Partner is Community Housing Development Group, Inc. ("CHDG"). CHDG develops new apartments throughout the

United States. CHDG and its affiliates own, have developed or are now developing 9 apartment projects comprising a total of 1,435 units located in Washington, Nevada, California, and Missouri.

The Borrower has no substantial assets other than the Project and does not intend to acquire any other substantial assets or to engage in any substantial business activities other than those related to the ownership of the Project. However, the Managing General Partner and affiliates of the Co-General Partner may in the future be engaged in the acquisition, development, ownership and management of similar types of housing projects, and may be financially interested in, as officers, partners or otherwise, and devote substantial times to, business and activities that may be inconsistent or competitive with the interests of the Project.

The obligations and liabilities of the Borrower under the Mortgage Note and Deed of Trust are of a nonrecourse nature and are limited to the Project and moneys derived from the operation of the Project. Neither the Borrower nor its partners have any personal liability for payments on the Mortgage Note to be applied to pay the principal of and interest on the Bonds. Furthermore, no representation is made that the Borrower has substantial funds available for the Project. Accordingly, neither the Borrower's financial statements nor those of its partners are included in this Offering Statement.

A default on the Mortgage Loan by the Borrower could result in a redemption of the Bonds prior to their scheduled maturities. See "THE BONDS – Redemption of Bonds."

The Manager

The Project will be managed by Mayan Management Group (the "Manager"). The Manager will maintain responsibility for the day-to-day management and marketing services for the Project. The Manager is highly experienced in managing affordable housing in the western United States. Since 1979, the Manager or its affiliates have professionally managed a portfolio consisting of over 60,000 multi-family residential properties with diverse needs and operating specifications. They include conventional management, government subsidized, Tax Credit operations and senior-specific property management.

The Project

Castaic Lake Senior Apartments (the "Project"), is comprised of two three-story elevator buildings, five two-story walk-up garden apartment buildings, and one community building containing a total of 150 residential units. The Project will be located on approximately 6.43 acres located near Castaic Road and Lake Hughes Road in the unincorporated town of Castaic, Los Angeles County, California. Construction of the Project is expected to begin in July, 2003 and it is currently expected to be completed by July, 2004.

Project amenities include: garbage disposal, refrigerator, range/oven, and gas-efficient hydrophonic heating and an air conditioning system; many units also provide a private patio/balcony. The interior finish will include laminate countertops, carpeting in the living areas, vinyl flooring in the kitchen/bathrooms and entryway, venetian blinds

and cabinets. Planned residential amenities include a community building, pool, spa, landscaped common areas, barbeque area and laundry facilities. Parking for 134 cars will also be provided in a combination of uncovered spaces and carports.

The unit mix of the Project will be as follows:

<u>Unit Type</u>	<u>Number of Units</u>	<u>Approximate Square Footage</u>
1BR	16	525
2BR	133	720
2BR - Manager	1	720

Regulatory Agreements

The Project is subject to the Regulatory Agreement which imposes certain requirements on the Borrower with respect to the tax-exempt status of the Bonds under the Code, which include, among other requirements, a set aside of at least 20% of the units for rental to persons or families having incomes at or below 50% of area median gross income, adjusted for family size and determined in accordance with Section 142(d) of the Code and certain other requirements under state law. The rental payments for these set-aside units shall not exceed 30% of an amount equal to 50% of the median adjusted gross income for the area, adjusted and limited as indicated in the Regulatory Agreement. See “APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT” herein for a description of the requirements affecting the operation of the Project in order to assure compliance with the Code and state law.

The Project will also be encumbered by an Extended Use Agreement required by the Code and the California Tax Credit Allocation Committee (the “TCAC Regulatory Agreement”), which will (a) restrict the income levels of 40% of the units in the Project to amounts not greater than 60% of area median income adjusted for family size, and (b) restrict the rents which may be charged for occupancy of units in the Project to not more than 30% of 60% of area median income, adjusted for family size.

ASSIGNMENT AND INTERCREDITOR AGREEMENT

THIS ASSIGNMENT AND INTERCREDITOR AGREEMENT (“Assignment”) dated as of June 1, 2003 is among **THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES** (“**Issuer**”), a public body corporate and politic, **U.S. BANK NATIONAL ASSOCIATION** (“**Trustee**”), not in its individual or corporate capacity, but solely as Trustee under the Indenture, a national banking association, and **FANNIE MAE** (“**Fannie Mae**”), a corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. § 1716, *et seq.*, as amended and is acknowledged, accepted and agreed to by **CASTAIC SENIOR COMMUNITIES, L.P.** (“**Borrower**”), a California limited partnership.

RECITALS

- A. Borrower has requested Issuer to issue its Variable Rate Demand Multifamily Housing Revenue Bonds (Castaic Senior Apartments Project), Series 2003C (“Bonds”) and lend the proceeds of the Bonds to Borrower in the form of a mortgage loan (“Loan”).
- B. Issuer is issuing and selling the Bonds under the Indenture and depositing the proceeds of the Bonds with Trustee to be used to fund the Loan.
- C. The Loan is (a) evidenced by the Note and (b) secured by the Security Instrument. The purpose of the Loan is to finance the development by the Borrower of a certain multifamily housing apartment building within Los Angeles County as more particularly described on Exhibit A attached hereto and incorporated herein by reference (“Mortgaged Property”).

ARTICLE I

DEFINITIONS AND INTERPRETATION

SECTION 1.1 **Incorporation of Recitals.** In addition to the recitals set out above, the Recitals to the Indenture are incorporated into and made a part of this Agreement.

SECTION 1.2 **Defined Terms.** All capitalized terms used in this Assignment have the meanings given to those terms in the Indenture or elsewhere in this Assignment unless the context or use clearly indicates a different meaning.

SECTION 1.3 **Rules of Construction.** The rules of construction set forth in Section 1.2 of the Indenture shall apply to this Assignment in their entirety, except that in applying such rules, the term “Assignment” shall be substituted for the term “Indenture”.

SECTION 1.4 **Interpretation.** Each of the parties acknowledges that it and its counsel participated in the drafting and revision of this Assignment. Accordingly, the parties agree that any rule of construction which disfavors the drafting party shall not apply in the interpretation of this Assignment.

SECTION 1.5 **Effective Date.** This Assignment shall be effective on the Closing Date, immediately upon the effectiveness of the Indenture.

ARTICLE II TRANSFER OF ASSIGNED RIGHTS

SECTION 2.1 **Assignment of Assigned Rights to Fannie Mae and the Trustee.** The Issuer irrevocably and absolutely assigns, transfers, conveys and delivers to Fannie Mae and the Trustee, but without recourse to the Issuer, all of the Issuer's right, title and interest in and to (i) the Note, the Security Instrument, each of the other Loan Documents and the Financing Agreement (collectively, "**Assigned Documents**"), (ii) all the real and personal property described in the Assigned Documents and (iii) all proceeds, products, substitutions, additions and replacements of any collateral now or hereafter mortgaged, assigned or pledged under any of the Assigned Documents; in all cases whether now existing or arising in the future; provided, however, that the Reserved Rights of the Issuer are excepted from such assignment and transfer (collectively, "**Assigned Rights**"). Each Assignee acknowledges receipt of, and accepts, and shall hold, the Assigned Rights, as its interest may appear.

SECTION 2.2 **Acknowledgement of Exclusion from Assignment.** The Borrower, the Issuer, Fannie Mae and the Trustee specifically agree that the Regulatory Agreement is not an Assigned Document; provided, however, that Fannie Mae, as a third party beneficiary, shall have the right to enforce the Regulatory Agreement in accordance with the provisions of the Regulatory Agreement.

SECTION 2.3 **Limitations on Issuer.** From and after the effective date of this Assignment, the Issuer shall not have, except with respect to the Reserved Rights, any right, power or authority to exercise any of the Assigned Rights or take any other action with respect to the Assigned Documents or the Assigned Rights, including waiving or releasing the Borrower from any default under any of the Assigned Documents, consenting to any amendment, supplement to, or restatement of any Loan Document and accelerating or otherwise enforcing payment or seeking other remedies with respect to the Loan.

SECTION 2.4 **Power of Attorney.** Subject to the Reserved Rights of the Issuer, the Issuer agrees that Fannie Mae and the Trustee, each acting alone, in its own name or in the name of the Issuer, may enforce all of the Assigned Rights and all obligations of the Borrower under the Assigned Documents, without regard to whether the Issuer is in default under the Assigned Documents or under this Assignment. In order to implement the foregoing, the Issuer appoints each of Fannie Mae and the Trustee, their respective successors and assigns, as the Issuer's true and lawful attorney-in-fact with power of substitution to do any or all of the foregoing in the name, place and stead of the Issuer. This power of attorney, being coupled with an interest, is irrevocable as long as this Assignment remains in effect.

SECTION 2.5 **Disclaimer of Assumption of Obligations.** Neither Fannie Mae nor the Trustee shall be obligated by reason of this Assignment or otherwise to perform or be responsible for the performance of any of the obligations of the Issuer under the Assigned Documents.

SECTION 2.6 **Confirmation of Assignment and Transfer.** In order to confirm and evidence the assignment set out in Section 2.1, the Issuer has delivered to Fannie Mae and the Trustee and Fannie Mae and the Trustee acknowledge receipt of, a signed counterpart of each of the Assigned Documents (other than the Note, which is a single original delivered to the custody of the Trustee as provided in Section 4.1) and has executed and delivered to Fannie Mae and the Trustee Uniform Commercial Code financing statements covering the Issuer's interest in the Assigned Rights in form sufficient for filing with the California Secretary of State's Office and the Recorder's Office for Los Angeles County, naming Fannie Mae and the Trustee as secured parties.

SECTION 2.7 **Further Assurances.** The Issuer agrees to cooperate with the Borrower, Fannie Mae and the Trustee in their defenses of Fannie Mae's and the Trustee's interests in the Assigned Rights against the claims and demands of all Persons. The Issuer will execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such additional and supplemental agreements, financing statements, continuation statements and other instruments and documents, do such further acts, and make such further transfers as the Trustee or Fannie Mae may reasonably request to effectuate the purpose and intent of this Assignment.

ARTICLE III **LOAN SERVICING**

SECTION 3.1 **Loan Servicing in General.** So long as the Assigned Rights have not transferred to the Trustee pursuant to Section 5.1, Fannie Mae shall have the sole and exclusive right, without the consent of the Issuer, the Trustee or the Borrower, to (i) arrange for the servicing of the Assigned Rights and the Issuer's Fee, but excluding all other Reserved Rights (ii) appoint and reappoint the Loan Servicer and (iii) terminate the Loan Servicer (with or without cause), all on such terms and conditions as Fannie Mae may determine from time to time. Loan servicing shall include, but not be limited to, the power and authority to (a) take any action, make any decision, exercise any power or authority to act with respect to the Assigned Rights, (b) establish and maintain custodial and other accounts for the deposit of funds payable by the Borrower and (c) collect, apply and disburse payments of principal of, interest on and premium on the Loan and all other sums payable from time to time by the Borrower under any of the Loan Documents or the Financing Agreement, all in accordance with the applicable documents. None of the Issuer, the Trustee or the Borrower shall have any right under, or be a third party beneficiary of, the Servicing Agreement. Neither Fannie Mae, the Issuer

nor the Trustee shall have any obligation to pay a servicing fee to the Construction Lender or the Loan Servicer.

SECTION 3.2 **Loan Servicing During the Construction Phase.** The Issuer, the Trustee and the Borrower acknowledge and agree that:

- (a) **Loan Administration.** Fannie Mae and the Construction Lender have agreed that, subject to payment servicing by the Trustee pursuant to subsection (b), the Construction Lender shall administer the Loan from the Closing Date to, but excluding, the Conversion Date in accordance with the Construction Phase Financing Agreement.
- (b) **Payment Servicing.** From the Closing Date to, and including, the Conversion Date, the Trustee shall service the Borrower's payments as set out in this subsection. The Borrower shall pay all of the following directly to the Trustee:
 - (1) all principal of and interest (adjusted, if necessary, as provided in Section 3.3) and any premium on the Loan (whether regularly scheduled payments, an optional prepayment or otherwise);
 - (2) all Third Party Fees and Fees and Expenses;
 - (3) all other amounts payable under any of the Loan Documents; and
 - (4) the Facility Fee payable by the Borrower under the Reimbursement Agreement;

in each case for remittance to the Person to whom owed. The Borrower shall receive a payment credit for interest payable on the Loan or Facility Fee payable under the Reimbursement Agreement to the extent that the Trustee applies funds on deposit in the Capitalized Moneys Account or otherwise held under the Indenture, to any such amount. The Borrower shall make all such payments to the Trustee two Business Days prior to the date such amounts are otherwise payable under the applicable Borrower Document (each, a "**Servicing Payment Date**"). For the purpose of calculating the amount of interest due on the Note, the amount of Third Party Fees and Fees and Expenses due under the Financing Agreement and the Facility Fee due under the Reimbursement Agreement, the fact that the Borrower is required to make the payment on a Servicing Payment Date (rather than on the date such amounts are otherwise payable) will be ignored. The Borrower shall make all such payments by wire transfer of immediately available funds to such account as required from time to time by the Trustee. The Trustee shall invoice the Borrower for all such payments at least two Business Days in advance of the Servicing Payment Date on which such payments are due pursuant to this Section.

SECTION 3.3 **Mortgage Interest During Weekly Variable Rate.** If the interest rate on the Bonds is a Weekly Variable Rate, the rate at which interest accrues on the Loan is reset on the same day of each week. However, each Note Interest Payment Date (as that term is defined in the Note "**Note Interest Payment Date**") may fall on any day of the week. Accordingly, for some

Note Interest Payment Dates, the Weekly Variable Rate in effect for the last few days of the Note Interest Period (as that term is defined in the Note “**Note Interest Period**”) will not be known on the day the Trustee invoices the Borrower for payments of Note Interest. To provide for the orderly invoicing and payment of Note Interest, the Trustee will invoice the Borrower, and the Borrower will pay the amount invoiced by the Trustee, as the combination of (i) Note Interest accrued for those days of the Note Interest Period for which the Trustee knows the rate at which Note Interest accrues, plus (ii) for the remaining days of the Note Interest Period interest at two percentage points in excess of the Weekly Variable Rate in effect for the last week of the Note Interest Period for which the rate is known at the time of the invoice. If the amount invoiced by the Trustee and paid by the Borrower is greater than the Note Interest which actually accrued, the excess amount will be retained by the Trustee and applied to the next payment of Note Interest (or, if the Conversion Date occurs or all of the Bonds have been repaid in full, returned to the Borrower). If the amount paid is less than the accrued Note Interest, the Borrower will pay such deficiency within one Business Day of receipt of a restated invoice for that Note Interest Period.

SECTION 3.4 **Loan Servicing During the Permanent Phase.** The Issuer, the Trustee and the Borrower acknowledge and agree that, subject to Section 3.1, after the Conversion Date, the Loan Servicer shall service and administer the Loan and the Financing Agreement pursuant to the Reimbursement Agreement and the Servicing Agreement.

SECTION 3.5 **Payments due on Conversion Date.** Any payment mentioned in Section 3.2(b) and due to be paid on the Conversion Date is a Construction Phase payment. The Borrower shall pay all such amounts to the Trustee. The Borrower shall make all payments due on any day after the Conversion Date to the Loan Servicer. The first payment on the Note in the Permanent Phase will be the payment due in the month following the month in which the Conversion Date occurs.

SECTION 3.6 **Payments to Fannie Mae.** On and prior to the Conversion Date, the Trustee agrees to remit the Facility Fee to Fannie Mae, either from the Capitalized Moneys Account or from the Borrower’s monthly payment made in accordance with Section 3.2(b).

SECTION 3.7 **Monitoring.** The Borrower shall furnish to the Loan Servicer copies of all reports regarding the Mortgaged Property required to be filed by the Borrower pursuant to the Financing Agreement or the Regulatory Agreement. Neither the Trustee nor the Loan Servicer shall have any duty or obligation to analyze or review any such reports for determining whether or not the Borrower or the Mortgaged Property is in compliance with the requirements of the Code for maintaining the excludability from gross income, for federal income tax purposes, of the interest payable on the Bonds.

ARTICLE IV

CONTROL OF ASSIGNED RIGHTS

SECTION 4.1 **Possession of Note and Security Instrument.** The Trustee shall hold the original Note and the recorded Security Instrument until the Conversion Date or such earlier date as Fannie Mae may direct pursuant to Section 4.4 or Section 4.5. The Trustee agrees to deliver on the Conversion Date the original Note and the recorded Security Instrument to the Loan Servicer for delivery to Fannie Mae. After the Conversion Date, but subject to the provisions of Section 5.1, Fannie Mae shall hold the original Note and the recorded Security Instrument. The originals (or, where recorded, executed copies) of all other Loan Documents, shall be delivered to and held by the Loan Servicer until the Conversion Date at which time such documents shall be delivered to Fannie Mae. The Trustee acknowledges receipt of the original executed Note, endorsed to the order of Fannie Mae and the Trustee, as their interests may appear.

SECTION 4.2 **Exclusive Exercise of Assigned Rights by Fannie Mae.** Except only as provided in Section 5.1, Fannie Mae shall have and may exercise all of the Assigned Rights to the exclusion of the Trustee and in the same manner and with the same right, power and authority to act as Fannie Mae would have if Fannie Mae were the sole owner of the Loan and were the sole holder of the Note and the Security Instrument. In exercising the Assigned Rights, Fannie Mae shall not be an agent of the Issuer or the Trustee. Neither the Issuer nor the Trustee shall be liable for any action taken or not taken by Fannie Mae in the exercise of the Assigned Rights or the Loan Servicer in the servicing of the Assigned Rights.

SECTION 4.3 **Disposition of Loan.** Unless the Assigned Rights are transferred to the Trustee pursuant to Section 5.1, the Trustee shall not, without the prior written consent of Fannie Mae, dispose of the Loan, transfer the Note or any other Loan Document or any interest in the Note or any Loan Document, other than to Fannie Mae as provided in Sections 4.4 and 4.5, a successor Trustee pursuant to the Indenture or to the Issuer pursuant to Section 10.11 of this Assignment.

SECTION 4.4 **Assignment of Loan Without Payment or Redemption of Bonds.** Fannie Mae shall have the right, with respect to the Loan, without making an Advance under the Credit Enhancement Instrument, but only upon filing with the Trustee a certification reaffirming Fannie Mae's obligations under the Credit Enhancement Instrument, to instruct the Trustee in writing to assign the Note, the Security Instrument and the other Loan Documents to Fannie Mae, in which event the Trustee shall (i) endorse the Note to Fannie Mae and assign (in recordable form) the Security Instrument, (ii) assign (in recordable form) all other Loan Documents to Fannie Mae, (iii) if such direction occurs prior to the Conversion Date, deliver the original Note and the recorded Security Instrument to the Loan Servicer for delivery to Fannie

Mae and (iv) execute all such documents as are necessary to legally and validly effectuate the assignments provided for in the preceding clauses (i) and (ii). The Trustee's assignments to Fannie Mae pursuant to this Section 4.4 shall be without recourse or warranty except that the Trustee shall represent and warrant in connection therewith (A) that the Trustee has not previously endorsed or assigned any such documents or instruments and (B) that the Trustee has authority to endorse and assign such documents and instruments and such endorsements and assignment have been duly authorized. Fannie Mae shall hold the Note and the Security Instrument for the benefit of the Bondholders. If, following such assignments, the Assigned Rights are transferred to the Trustee pursuant to Section 5.1, all rights and interests assigned by the Trustee to Fannie Mae pursuant to this Section shall automatically without any further action on the part of the Trustee or Fannie Mae revert to the Trustee. Notwithstanding the foregoing, Fannie Mae agrees to take such action and to execute and deliver and to facilitate the recordation of such documents provided to Fannie Mae as may be reasonably necessary to evidence the reversion of all rights and interests originally assigned by the Trustee to Fannie Mae pursuant to this Section. No assignment pursuant to this Section shall affect Fannie Mae's obligations under the Credit Enhancement Instrument.

SECTION 4.5 Assignment of Assigned Rights Upon Payment or Redemption of Bonds in Whole. In the event Fannie Mae makes an Advance under the Credit Enhancement Instrument with respect to the payment or redemption of the Bonds Outstanding in whole, unless otherwise determined by Fannie Mae:

- (a) all of the Trustee's right, title and interest in and to the Assigned Rights shall transfer to Fannie Mae automatically, without any further action on the part of the Trustee or Fannie Mae; and
- (b) the Trustee shall (i) endorse the Note to Fannie Mae and assign (in recordable form) and deliver the Security Instrument to Fannie Mae, (ii) assign (in recordable form) all other Loan Documents and the Financing Agreement to Fannie Mae, (iii) if such Advance occurs prior to the Conversion Date, deliver the original Note and the recorded Security Instrument to the Loan Servicer for delivery to Fannie Mae and (iv) execute and deliver all such other documents as are necessary to legally and validly effectuate the assignments provided for in the preceding clauses (i) and (ii).

The Trustee's assignments to Fannie Mae pursuant to this Section shall be without recourse or warranty except that the Trustee shall represent and warrant in connection therewith (A) that the Trustee has not previously endorsed or assigned any such documents or instruments and (B) that the Trustee has authority to endorse and assign such documents and instruments.

SECTION 4.6 Consequences of Foreclosure. In the event that, following a default under the Loan, the (i) Mortgaged Property is acquired by either or both of the Assignees, or their nominees, as a result of a foreclosure or the

acceptance of a deed in lieu of foreclosure or comparable conversion of the Loan or other enforcement provisions of the Security Instrument, (ii) the Bonds are not redeemed with funds provided under the Credit Enhancement Instrument and (iii) Fannie Mae has any obligation under the Credit Enhancement Instrument and no Wrongful Dishonor exists, the Mortgaged Property shall be conveyed to Fannie Mae or its nominee, and all decisions thereafter with respect to the Mortgaged Property (including, without limitation, all decisions with respect to the management, operation, maintenance and sale of the Mortgaged Property — and the price and terms of such sale — the payment or contesting of real estate taxes, rebuilding or restoration after damage, destruction or taking, alterations, improvements, insurance coverage, litigation and conversion to a cooperative or condominium), shall be made solely by Fannie Mae.

SECTION 4.7 **Amendments to Loan Documents.** Unless the Assigned Rights are transferred to the Trustee pursuant to Section 5.1, the provisions of this Section shall apply to any amendment, supplement to or restatement of the Loan Documents.

- (a) **Right to Amend, Supplement or Restate Loan Documents.** Fannie Mae shall have the right to amend, supplement or restate the Loan Documents with the Borrower and to exchange any of the Loan Documents for new Loan Documents relating to the Mortgaged Property (collectively, “**Amended Loan Documents**”) if the execution of any Amended Loan Documents would:
- (1) result in an amendment of the Credit Facility, Fannie Mae may not proceed with such execution unless Fannie Mae provides to the Trustee an Opinion of Counsel to Fannie Mae, who may be an employee of Fannie Mae, to the effect that the modified Credit Facility is a valid and binding obligation of Fannie Mae, subject to any applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights of creditors generally, and general equitable principles and other customary exceptions.
 - (2) change the payment terms of the Loan, Fannie Mae must provide the Trustee a written confirmation from the Rating Agency that the rating to be in effect with respect to the Bonds from and after the execution of such Amended Loan Documents will not be lower than the rating then in effect for the Bonds.
 - (3) change the outstanding principal amount, the interest rate, the maturity date, the due date for the payment of interest, the terms of mandatory prepayment or governing law or jurisdiction provisions of the Note, Fannie Mae must obtain the Trustee’s prior written consent to such change.
- (b) **Trustee’s Consent.** Unless the Assigned Rights are transferred to the Trustee pursuant to Section 5.1:

- (1) unless directed to do so in writing by Fannie Mae, the Trustee shall not consent to any proposed amendment, supplement to or restatement of, any of the Loan Documents or waive any default by the Borrower under any of the Loan Documents; and
- (2) if directed to do so in writing by Fannie Mae, the Trustee shall amend, supplement or restate the Loan Documents, or waive any default by the Borrower under any of the Loan Documents;

provided, however, that no such amendment, supplement or restatement shall (i) change, without the Trustee's prior written consent, the outstanding principal amount, the interest rate, the maturity date, the due date for the payment of interest, the terms of mandatory prepayment or governing law or jurisdiction provisions of the Note; or (ii) change, without the Issuer's prior written consent, the timing or amount of the Issuer's Fee.

SECTION 4.8 **New Borrower.** In the event Fannie Mae forecloses the Security Instrument, or accepts a deed in lieu of foreclosure or comparable conversion of the Mortgaged Property, Fannie Mae shall have the right to enter into, or cause to be executed, Amended Loan Documents or exchange the Loan Documents for Amended Loan Documents by a person other than the Borrower ("**New Borrower**"). Except in the event of a transfer of the Mortgaged Property to Fannie Mae, Fannie Mae shall not execute any Amended Loan Documents having the effect of substituting a New Borrower as the Borrower, unless Fannie Mae first provides each of the following to the Trustee:

- (a) written evidence that the New Borrower has executed and recorded, as applicable, documents, acceptable to the Issuer and Fannie Mae, substantially in the forms of the Financing Agreement and the Regulatory Agreement (or executed and recorded an assumption, acceptable to the Issuer and Fannie Mae, of all of the applicable Borrower's obligations under the Financing Agreement and the Regulatory Agreement) and that the Credit Facility Documents and the Credit Facility, if required, have been modified to be applicable to the new mortgage loan;
- (b) from the Rating Agency written confirmation that the rating to be in effect with respect to the Bonds from and after delivery to the Trustee of the new mortgage note and mortgage and the modified Credit Facility Documents and modified Credit Facility will not be lower than the rating then in effect for the Bonds;
- (c) an opinion of Bond Counsel to the effect that such exchange and modification, in and of itself, will not affect the excludability of the interest payable on the Bonds from gross income for federal income tax purposes; and
- (d) from the Issuer, the consent (if any) required by the Regulatory Agreement.

SECTION 4.9 **Fannie Mae Assignment.** Fannie Mae shall have the right, in its sole discretion, to assign, sell or transfer its right, title and interest in, to and under the Loan Documents, the Assigned Rights and this Assignment to any Person.

ARTICLE V
TRANSFER OF ASSIGNED RIGHTS TO TRUSTEE

SECTION 5.1 **Transfer of Assigned Rights to Trustee.** If either (i) Fannie Mae has no further obligation under the Credit Enhancement Instrument and all obligations of the Borrower to Fannie Mae under the Credit Facility Documents and the other Borrower Documents have been satisfied in full; or (ii) a Wrongful Dishonor occurs and continues for more than five Business Days after the Issuer or the Trustee gives written notice of such Wrongful Dishonor specifying such failure and requesting that it be remedied, the Assigned Rights shall transfer automatically to the Trustee, without any further action on the part of the Trustee or Fannie Mae. Fannie Mae shall promptly transfer possession of the original Note and the recorded Security Instrument and the other Assigned Documents to the Trustee. Fannie Mae shall also take such action and execute and deliver and facilitate the filing and recordation of such documents provided to Fannie Mae as may be reasonably necessary to evidence the transfer of the Assigned Rights to the Trustee and the assignment of the Assigned Documents to the Trustee. Fannie Mae's assignments to the Trustee pursuant to this Section shall be without recourse or warranty except that Fannie Mae shall represent and warrant in connection therewith (i) that Fannie Mae has not previously endorsed or assigned any such documents or instruments and (ii) that Fannie Mae has authority to endorse and assign such documents and instruments.

SECTION 5.2 **Exercise of Assigned Rights after Transfer to Trustee.**
If the Assigned Rights transfer to the Trustee pursuant to Section 5.1:

- (a) the Trustee (alone or, at its election, with the Issuer) may exercise the Assigned Rights and all other rights, powers, options, privileges and remedies provided to the Trustee under this Assignment, to the exclusion of Fannie Mae;
- (b) all obligations of the Borrower under the Credit Facility Documents shall continue to be secured by the Security Instrument on an equal and ratable basis with the obligations of the Borrower under the Loan Documents; and
- (c) if, at such time, Fannie Mae has a lien on any Bonds pursuant to the Pledge Agreement, the Trustee shall have, in its exercise of any of the rights, powers, options, privileges and remedies provided for in this Assignment pursuant to Section 5.1, the same fiduciary obligations to Fannie Mae, as secured party, as the Trustee has to the Bondholders.

Notwithstanding the foregoing, nothing in this Assignment or in any Loan Document shall limit or control the exercise by Fannie Mae of the rights granted by the Borrower to Fannie Mae as “Lender” under the Security Instrument. Each of the Issuer, the Trustee and the Borrower recognizes and confirms the rights granted by the Borrower to Fannie Mae as “Lender” under the Security Instrument. If and for so long as Fannie Mae continues to have any further obligation under the Credit Enhancement Instrument, Fannie Mae shall be entitled to receive all notices pursuant to this Assignment, the Indenture and the Loan Documents.

ARTICLE VI **TRUSTEE**

SECTION 6.1 **Certain Notices to Fannie Mae, the Loan Servicer and the Construction Lender.** The Trustee shall give the following notices in writing:

- (a) The Trustee shall give prompt written notice to Fannie Mae, the Loan Servicer and the Construction Lender of the occurrence of any Event of Default known to it under the Indenture, the Credit Enhancement Instrument, the Financing Agreement, the Note, the Security Instrument or any other Transaction Document, and of any event known to it which would become such an Event of Default upon the giving of notice, the lapse of time or both, specifying the nature and period of existence of such event and the actions being taken or proposed to be taken with respect to such events.
- (b) During any Weekly Variable Rate Period, the Trustee shall, prior to the Conversion Date, give written notice to the Construction Lender of the amount of each interest payment due on the Bonds and, on and after the Conversion Date, give notice to the Loan Servicer of the amount of each interest payment due on the Bonds. The Trustee shall give such notice as soon as practicable but not later than the last Wednesday before the Interest Payment Date of each month, or in the event such Wednesday is not a Business Day, the next Business Day.

SECTION 6.2 **Power of Attorney.** The Trustee, for itself and for any successor or replacement Trustee, irrevocably and unconditionally constitutes and appoints Fannie Mae as the Trustee’s true and lawful attorney-in-fact, with full power of substitution, to execute, acknowledge and deliver any notice, document, certificate, paper, instrument or pleading and to do in the Trustee’s name, place and stead, all such acts, things and deeds for and on behalf of the Trustee under this Assignment and/or any of the Assigned Documents which the Trustee could or might do or which may be necessary, desirable or convenient in Fannie Mae’s sole discretion to effectuate the purposes of this Assignment and/or any Assigned Document. The power of attorney and the rights, remedies, power and authority granted by the Trustee to Fannie Mae in this Assignment are hereby declared by the Trustee to be coupled with an interest and irrevocable until the Reimbursement Agreement is no longer in full force and effect or until the Assigned Rights are transferred to the Trustee pursuant to Section 5.1, and may be exercised by Fannie Mae in

the name of Fannie Mae, in the name of the Trustee or in the names of Fannie Mae and the Trustee, as Fannie Mae may at any time or from time to time determine, and the Trustee hereby confirms and ratifies all acts and deeds taken or to be taken by Fannie Mae as attorney-in-fact.

SECTION 6.3 **Enforcement.** Notwithstanding any other provision in this Assignment to the contrary, so long as no transfer of the Assigned Rights pursuant to Section 5.1 has occurred, the Trustee shall not exercise any remedy or direct any proceeding under the Indenture, the Loan Documents or the Financing Agreement other than (i) to enforce rights under the Credit Enhancement Instrument, (ii) to enforce the tax covenants in the Indenture, the Tax Certificate and the Financing Agreement provided that the Trustee does not enforce any right it may have for monetary damages, and (iii) as otherwise permitted under the Indenture or the Financing Agreement. The Trustee shall provide written notice to Fannie Mae, the Issuer and the Loan Servicer immediately upon taking any action at law or in equity to exercise any remedy or direct any proceeding under the Indenture or the Financing Agreement.

SECTION 6.4 **Bailee.** The Trustee agrees to act as bailee and agent on behalf of Fannie Mae in relation to the Borrower's pledge and grant of a security interest pursuant to Section 2.6 of the Reimbursement Agreement to the extent, if any, the Borrower retains an interest in all Funds, Accounts and Investments held by the Trustee under the Indenture.

SECTION 6.5 **Records and Books of Account.** The Trustee shall keep, or cause to be kept, proper records and books of account in which complete and accurate entries shall be made of all of its transactions relating to the Loan and the Assigned Documents, including without limitation, payments made under the Loan and all funds and accounts established by or held pursuant to the Indenture with respect to the Loan.

SECTION 6.6 **Examination of Records and Books of Account.** The Trustee agrees that all records and books of account in its possession relating to the Loan, the Assigned Documents and all records and books of account regarding the receipt and distribution of payments on the Loan and the Borrower's compliance with the terms and conditions of the Loan and the Assigned Documents, shall be open to inspection, examination and audit at any reasonable time by the Issuer, the Borrower, the Loan Servicer, Fannie Mae and the Construction Lender or by such accountants or other agents as the Issuer, the Borrower, the Loan Servicer, Fannie Mae or the Construction Lender may from time to time designate. In addition, the Issuer, the Borrower, the Loan Servicer, Fannie Mae and the Construction Lender shall have the right, at any time and from time to time, to require the Trustee to furnish such documents to the Issuer, the Borrower, the Loan Servicer, Fannie Mae and the Construction Lender, at the Borrower's expense, as the Issuer, the Borrower, the Loan Servicer, Fannie Mae or the Construction Lender, as

the case may be, from time to time, deems reasonably necessary in order to determine that the provisions of the Loan have been complied with.

ARTICLE VII

INSURANCE AND CONDEMNATION

SECTION 7.1 **Insurance.** So long as no transfer of the Assigned Rights pursuant to Section 5.1 has occurred, (i) Fannie Mae shall be named as the sole mortgagee on all fire, extended coverage and other hazard insurance policies required under the Loan Documents (“Insurance Policies”), (ii) all such proceeds shall be held and applied by Fannie Mae in accordance with the Security Instrument and the other Loan Documents, and (iii) the Borrower, as mortgagor, shall deal solely with Fannie Mae or the Loan Servicer, as Fannie Mae shall direct, under the Loan Documents with respect to all matters related to the Insurance Policies. If the Assigned Rights transfer to the Trustee pursuant to Section 5.1, (1) the Trustee shall be named as the sole mortgagee on all Insurance Policies, (2) all such proceeds shall be held and applied by the Trustee in accordance with the Security Instrument and the other Loan Documents, and (3) the Borrower, as mortgagor, shall deal solely with the Trustee under the Loan Documents with respect to all matters related to the Insurance Policies. The Borrower agrees that Fannie Mae, the Trustee and the Issuer shall each be a named insured on all liability insurance policies required under the Loan Documents. Fannie Mae and the Trustee shall execute, acknowledge and deliver all such documents as shall be necessary to evidence or confirm the provisions of this Section. Neither Fannie Mae, the Loan Servicer, the Issuer nor the Trustee shall have any liability under this Assignment or otherwise for any application of insurance proceeds.

SECTION 7.2 **Condemnation.** So long as no transfer of the Assigned Rights pursuant to Section 5.1 has occurred, (i) Fannie Mae shall be the sole payee with respect to all condemnation awards, (ii) all proceeds of any condemnation award shall be applied in any manner permitted by the Security Instrument, as directed by Fannie Mae, in its discretion, and (iii) the Borrower, as mortgagor, shall deal solely with Fannie Mae or the Loan Servicer, as Fannie Mae shall direct, under the Loan Documents. If the Assigned Rights transfer to the Trustee pursuant to Section 5.1, (1) the Trustee shall be the sole payee with respect to all condemnation awards, (2) all proceeds of any condemnation award shall be applied in any manner permitted by the Security Instrument, as directed by the Trustee, in its discretion, and (3) the Borrower, as mortgagor, shall deal solely with the Trustee under the Loan Documents. Fannie Mae and the Trustee shall execute, acknowledge and deliver all such documents as shall be necessary to evidence or confirm the provisions of this Section. Neither Fannie Mae, the Loan Servicer, the Issuer nor the Trustee shall have any liability under this Assignment or otherwise for any application of condemnation award proceeds.

ARTICLE VIII

REGULATORY AGREEMENT

SECTION 8.1 **Monitoring of Regulatory Agreement.** The Issuer shall have the sole obligation to monitor compliance with the Regulatory Agreement.

SECTION 8.2 **Termination of Regulatory Agreement.** Upon expiration or termination of the Regulatory Agreement pursuant to its terms, the Issuer, in its capacity as the Issuer, shall promptly notify Fannie Mae of the termination of the Regulatory Agreement.

SECTION 8.3 **Right To Enforce Compliance.** The Issuer, the Trustee, the Loan Servicer and Fannie Mae shall each have the right, but not the obligation, to enforce compliance by the Borrower and its successors as subsequent owners of the Mortgaged Property with the Regulatory Agreement. Notwithstanding the foregoing, the Trustee agrees that it will, subject to the provisions of the Indenture and Article IX, at the direction of the Issuer, take such action as may be required to achieve compliance by the Borrower with the Regulatory Agreement.

SECTION 8.4 **Notices of Violations of the Regulatory Agreement.** Promptly upon determining that a violation of the Regulatory Agreement has occurred, the Issuer shall send written notice of such violation to Fannie Mae, the Loan Servicer and the Trustee. The Issuer's notice shall set out the nature of the violation and state whether the violation has been cured or has not been cured but is curable within a reasonable period of time, or is incurable and contain a copy of the Issuer's notice of violation to the Borrower. If the Borrower fails to cure the violation to the reasonable satisfaction of the Issuer within the time period set forth in the Issuer's notice of the violation to the Borrower (which period shall not be shorter than any applicable period set out in the Regulatory Agreement for the cure of such violation) and if, as a consequence of such failure, the Issuer declares an Event of Default under the Regulatory Agreement, the Issuer shall provide prompt written notice to Fannie Mae, the Loan Servicer and the Trustee of the Event of Default (together with a copy of any notice of the Event of Default provided to the Borrower).

SECTION 8.5 **Cure Rights.** Each of Fannie Mae, the Loan Servicer and the Trustee shall have the right, but not the obligation, to cure any default by the Borrower under the Regulatory Agreement. Such cure may be made even after the Issuer's notice of declaration of an Event of Default under the Regulatory Agreement, provided however, such cure right shall not affect any requirements of the Code and the Act. Fannie Mae shall have the additional right, but not the obligation, to cure any violation of the Regulatory Agreement by assumption of the management and operation of the Mortgaged Property, directly or through any Fannie Mae approved seller-servicer or a

receiver under the Security Instrument. Any operation of the Mortgaged Property by Fannie Mae or its successors or assigns shall be in accordance with the Regulatory Agreement, but only so long as the Regulatory Agreement remains in effect.

ARTICLE IX

ISSUER'S COVENANTS

SECTION 9.1 **Limitations on Issuer.** The Issuer shall not consent to any amendment, supplement to, or restatement of any Bond Document or the Regulatory Agreement, or any other document executed or delivered in connection with the Bonds without the prior written consent of Fannie Mae.

SECTION 9.2 **Enforcement.** Notwithstanding any other provision in this Assignment to the contrary, so long as no transfer of the Assigned Rights pursuant to Section 5.1 has occurred, neither the Issuer nor any person under its control shall exercise any remedy or direct any proceeding under the Indenture, the Financing Agreement or the Regulatory Agreement other than as set out in this Section.

(a) **Enforcement of Certain Rights and Obligations.** Subject to subsection (b), the Issuer may:

- (1) **Tax Covenants.** Seek specific performance of the tax covenants of the Indenture, the Tax Certificate and the Financing Agreement, injunctive relief against acts which may be in violation of any of the tax covenants, and enforce the Borrower's obligation to pay amounts for credit to the Rebate Fund;
- (2) **Regulatory Agreement.** Seek specific performance of the obligations of the Borrower or any other owner of the Property under the Regulatory Agreement and injunctive relief against acts which may be in violation of the Regulatory Agreement or otherwise unlawful; provided, however, that the Issuer may enforce any right it may have under the Regulatory Agreement for monetary damages only against Excess Revenues, if any, of the Borrower, unless Fannie Mae otherwise specifically consents in writing to the use of other funds; and
- (3) **Reserved Rights.** Take whatever action at law or in equity which appears necessary or desirable to enforce the Reserved Rights; provided, however, that the Issuer or any person under its control may only enforce any right it may have for monetary damages against Excess Revenues, if any, of the Borrower, unless Fannie Mae otherwise specifically consents in writing to the enforcement against other funds of the Borrower.

(b) **Overriding Limitations.** In no event shall the Issuer:

- (1) prosecute its action to a lien on the Mortgaged Property;

- (2) take any action which may have the effect, directly or indirectly, of impairing the ability of the Borrower to timely pay the principal of, interest on, or other amounts due under, the Loan or of causing the Borrower to file a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Borrower under any applicable liquidation, insolvency, bankruptcy, rehabilitation, composition, reorganization, conservation or other similar law in effect now or in the future; or
- (3) interfere with the exercise by Fannie Mae of any of its rights under the Loan Documents or the Credit Facility Documents upon the occurrence of an event of default by the Borrower under the Loan Documents or the Credit Facility Documents; or
- (4) take any action to accelerate or otherwise enforce payment or seek other remedies with respect to the Loan or the Bonds.
- (c) **Notice of Action.** The Issuer shall provide written notice to Fannie Mae, the Trustee and the Loan Servicer immediately upon taking any action at law or in equity to exercise any remedy or direct any proceeding under the Indenture, the Financing Agreement or the Regulatory Agreement.
- (d) **Definition of “Excess Revenues”.** As used in this Section, the term “**Excess Revenues**” means, for any period, the net cash flow of the Borrower available for distribution to shareholders, members or partners (as the case may be) for such period, after the payment of all interest expense, the amortization of all principal of all indebtedness coming due during such period (whether by maturity, mandatory sinking fund payment, acceleration or otherwise), the payment of all fees, costs and expenses on an occasional or recurring basis in connection with the Loan or the Bonds, the payment of all operating, overhead, ownership and other expenditures of the Borrower directly or indirectly in connection with the Mortgaged Property (whether any such expenditures are current, capital or extraordinary expenditures), and the setting aside of all reserves for taxes, insurance, water and sewer charges or other similar impositions, capital expenditures, repairs and replacements and all other amounts which the Borrower is required to set aside pursuant to agreement, but excluding depreciation and amortization of intangibles.

SECTION 9.3 **Specific Performance.** The Borrower acknowledges and agrees that were money damages a remedy under the Regulatory Agreement or in connection with any of the tax covenants of the Indenture, the Tax Certificate and the Financing Agreement, money damages alone would not be an adequate remedy at law for a default by the Borrower arising from a failure to comply with the Regulatory Agreement or the tax covenants and therefore the Borrower agrees that the remedy of specific performance shall be available to the Issuer and/or the Trustee in any case.

SECTION 9.4 **Control on Right of Redemption.** Notwithstanding any inconsistent provision of the Indenture or any of the Loan Documents and so long as no transfer of the Assigned Rights pursuant to Section 5.1 has occurred, the Issuer shall not exercise any right pursuant to Section 3.2 of the Indenture to redeem any or all of the Bonds without the prior written consent of Fannie Mae in each case and shall not, without the prior written consent of Fannie Mae, use the proceeds of any Advance under the Credit Enhancement Instrument to make any such redemption.

SECTION 9.5 **Consents to Maturity and Sinking Fund Schedules.** The Issuer will not establish any schedule of principal amounts of Bonds to mature or be subject to redemption through the application of Sinking Fund Payments as provided in Section 2.8(c)(5) of the Indenture without the prior written direction of the Borrower and, for so long as Fannie Mae has any obligation under the Credit Enhancement Instrument and no Wrongful Dishonor exists, without the prior written consent of Fannie Mae.

SECTION 9.6 **Remarketing Agreement; Tender Agent Agreement.** The Issuer and the Borrower agree that they will not enter into any amendment, modification, supplement or other document effecting a change in the Remarketing Agreement or Tender Agent Agreement applicable to the Bonds or enter into any new or replacement remarketing agreement or tender agent agreement with respect to the Bonds without the prior written consent of Fannie Mae.

SECTION 9.7 **Further Assurances.** The Issuer, to the extent permitted by law, shall execute, acknowledge and deliver such supplemental indentures and other instruments and documents, and perform such further acts, as the Trustee or the Credit Provider may reasonably require to perfect, and maintain perfected, the security interest in the Trust Estate or to better assure, transfer, convey, pledge, assign and confirm to the Trustee or the Credit Provider all of its respective interest in the property described in the Indenture and the revenues, receipts and other amounts pledged by the Indenture. The Issuer, at the sole expense of the Borrower, shall cooperate to the extent necessary with the Borrower, the Trustee and the Credit Provider in their defenses of the Assigned Rights and the Credit Facility against the claims and demands of all Persons.

ARTICLE X **MISCELLANEOUS**

SECTION 10.1 **Exculpation.** Notwithstanding any other provision of this Assignment, any of the Assigned Documents or any of the Issuer Documents to the contrary, Fannie Mae shall not be liable under this Assignment, any of the Assigned Documents, or any of the Issuer Documents to any party hereto or thereto or any Bondholder for any action taken or omitted by Fannie Mae in good faith in connection with the Loan, the Assigned Documents, the Issuer

Documents or this Assignment. Fannie Mae shall be protected and shall incur no liability in relying upon the accuracy, acting in reliance upon the contents, and assuming the genuineness, of any notice, demand, certificate, signature, instrument or other document believed by Fannie Mae to be genuine and to have been duly executed by the appropriate signatory. In addition, Fannie Mae shall be protected and shall incur no liability in relying upon an opinion of counsel with respect to any action taken or not taken in good faith by Fannie Mae under this Assignment or any of the Assigned Documents. Fannie Mae shall be free, at all times, to establish independently to its satisfaction and in its discretion the existence or non-existence, as the case may be, of any fact the existence or non-existence of which shall be a condition to any term or provision of this Assignment or of any of the Assigned Documents. Fannie Mae's immunities and exemptions from liability shall extend to its directors, officers, employees and agents.

SECTION 10.2 **Disclaimers; Acknowledgments.** Approval by Fannie Mae of the Borrower, the Loan, the Bonds or otherwise shall not constitute a warranty or representation by Fannie Mae as to any matter. Nothing set forth in this Assignment or in the subsequent conduct of the parties shall be deemed to constitute Fannie Mae as the partner of any person for any purpose whatsoever.

SECTION 10.3 **Liability of Borrower.** Notwithstanding anything to the contrary contained in this Assignment, the personal liability of the Borrower, any general partner of the Borrower (if the Borrower is a partnership), and any Key Principal (as defined in the Security Instrument) to pay amounts due in connection with the obligations of the Borrower under this Assignment shall be limited as and to the extent provided in the Note. The foregoing limitation shall not limit or impair any right to proceed against any collateral that may be pledged to the payment of the Borrower's obligations or that may otherwise be available under any Loan Document.

SECTION 10.4 **Notices.** All notices, certificates, demands and other communications provided for in this Assignment shall be in writing and mailed (registered or certified mail, return receipt requested, and postage prepaid), hand-delivered, with signed receipt, or sent by nationally-recognized overnight courier:

To the Issuer: The Housing Authority of the County of Los Angeles
 2 Coral Circle
 Monterey Park, CA 91755
 Attention: Manager, Housing Development
 and Preservation
 Telephone: (323) 890-7269
Facsimile: (323) 890-9715

To the Trustee: U.S. Bank National Association
1420 Fifth Avenue, 7th Floor
Seattle, WA 98101
Attention: CTS-Debbie Kuykendall
Telephone: (206) 344-4681
Facsimile (206) 344-4630

To the Borrower: Castaic Senior Communities, L.P.
c/o Community Housing Development Group, Inc.
369 San Miguel Drive, Suite 135
Newport Beach, CA 92660
Attention: Jules Swimmer
Telephone: (949) 721-0122
Facsimile: (949) 721-9451

with a copy to:

Pillsbury Winthrop LLP
50 Fremont Street
San Francisco, CA 94105
Attention: Gary P. Downs
Telephone: (415) 983-1835
Facsimile: (415) 983-1200

To Fannie Mae: Fannie Mae
3900 Wisconsin Avenue, NW
Drawer AM
Washington, DC 20016-2899
Attention: Director, Multifamily Asset Management
Telephone: (202) 752-2854
Facsimile: (202) 752-3542
RE: \$9,300,000 The Housing Authority of the County of Los
 Angeles Variable Rate Demand Multifamily Housing
 Revenue Bonds (Castaic Senior Apartments Project),
 Series 2003C/GMAC Affordable Housing Division

with a copy to:

Fannie Mae
3900 Wisconsin Avenue, NW
Drawer AM
Washington, DC 20016-2899
Attention: Vice President, Multifamily Services
Telephone: (202) 752-7869
Facsimile: (202) 752-8369
RE: \$9,300,000 The Housing Authority of the County of
 Los Angeles Variable Rate Demand Multifamily
 Housing Revenue Bonds (Castaic Senior Apartments

Project), Series 2003C/GMAC Affordable Housing
Division

[For courier to all Fannie Mae addresses use 4000 Wisconsin Avenue, N.W.
and delete any reference Drawer AM]

To the Loan Servicer: GMAC Commercial Mortgage Corporation
200 Witmer Road
P.O. Box 809
Horsham, PA 19044
Attention: Servicing Account Manager
Telephone: (215) 328-3866
Facsimile: (215) 328-3478

with a copy to:

GMAC Commercial Mortgage Corporation
Affordable Housing Division
4195 East Thousand Oaks Blvd., Suite 201
Westlake Village, CA 91362
Attention: Mortgage Servicing
Telephone: (805) 557-0930

Facsimile: (805) 557-0924

To the Construction Lender: U.S. Bank National Association
1420 Fifth Avenue, 8th Floor
Seattle, WA 98101
Attention: E. Neil Hodge
Telephone: (206) 344-5462
Facsimile (206) 344-5385

with a copy to: U.S. Bank National Association
Commercial Real Estate Division
1420 Fifth Avenue, 8th Floor
Seattle, WA 98101
Attention: Monica Rhule
Telephone: (206) 344-5488
Facsimile: (206) 344-5385

Each party named above may designate a change of address by written notice to all of the other parties 15 days prior to the date of such change of address is to become effective. All such notices, certificates, demands and other communications shall be effective when received at the address specified as aforesaid.

SECTION 10.5 **Waivers.** By any act, delay, omission or otherwise, neither Fannie Mae nor the Loan Servicer shall be deemed to have waived any of Fannie Mae's rights or remedies under this Assignment. No waiver whatever shall be valid, unless in writing signed by Fannie Mae and then only to the extent set forth in the waiver. A waiver by Fannie Mae of any default, right or remedy under this Assignment on any one occasion shall not be construed as a

waiver of any other default or be a bar to any right or remedy Fannie Mae would otherwise have on any future occasion.

SECTION 10.6 **Amendments.** No amendment to this Assignment shall be binding upon the parties to this Assignment until such amendment is reduced to writing and executed by Fannie Mae, the Issuer and the Trustee and acknowledged by the Borrower.

SECTION 10.7 **Severability.** Should one or more of the provisions of this Assignment be held to be invalid, illegal or unenforceable in any jurisdiction, such provision shall be severable from the remainder as to such jurisdiction and the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired in any jurisdiction.

SECTION 10.8 **Execution in Counterparts.** This Assignment may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 10.9 **Governing Law.** This Assignment shall be construed, and the obligations, rights and remedies of the parties hereunder shall be determined, in accordance with the laws of the State without regard to conflicts of laws principles, except to the extent that the laws of the United States of America may prevail.

SECTION 10.10 **WAIVER OF JURY TRIAL.** THE PARTIES HERETO (A) COVENANT AND AGREE NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING UNDER THIS ASSIGNMENT TRIABLE BY A JURY AND (B) WAIVE ANY RIGHT TO TRIAL BY JURY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS SEPARATELY GIVEN, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL BY THE PARTIES, AND THIS WAIVER IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A JURY TRIAL WOULD OTHERWISE ACCRUE.

SECTION 10.11 **Termination.** This Assignment (a) shall terminate and be of no further force or effect as to Fannie Mae at such time as the Reimbursement Agreement is no longer in full force and effect and (b) shall terminate and be of no further force and effect as to the Trustee at the earlier of (i) such time as the Bonds have been paid in full or deemed paid in full as provided in Article IX of the Indenture or (ii) by mutual written agreement of the Issuer and the Trustee after this Assignment has so terminated as to Fannie Mae, in which event the Assigned Documents shall automatically revert to the Issuer without any further action on the part of the Trustee.

SECTION 10.12 **References.** Whenever any party is referred to in this Assignment, such reference shall be deemed to include the successors and assigns of such party. If an Alternate Credit Facility (as defined in the Indenture) is issued in accordance with the provisions of the Indenture, and if Fannie Mae shall have assigned to the issuer of the Alternate Credit Facility all of its rights under this Assignment, all references in this Assignment to the “Credit Enhancement Instrument” shall mean the Alternate Credit Facility and all references in this Assignment to “Fannie Mae” shall mean the person, firm or entity which has issued the Alternate Credit Facility.

SECTION 10.13 **Additional Agreement.** In the event that the Borrower is no longer the owner of the Mortgaged Property and a new mortgagor is substituted in its place, or if the Security Instrument is replaced by a new mortgage on the Mortgaged Property, the Issuer shall execute and deliver to Fannie Mae, and shall record, a new assignment, substantially the same as this Assignment, which shall refer to this Assignment.

SECTION 10.14 **No Merger of Interests.** There shall be no merger of the interests of any of the Bondholders and of the holder of the Assigned Rights by reason of the fact that the same Person may acquire, own or hold, directly or indirectly, such interests, unless and until such person, firm or entity and all others having an interest therein shall effect such merger in a written, duly recorded instrument.

SECTION 10.15 **Construction Phase Financing Agreement.** The Issuer, Trustee and Borrower acknowledge and agree to be bound by the terms and provisions of the Construction Phase Financing Agreement including, without limitation, Section 2.5 relating to a substitute borrower and Section 2.7 relating to certain rights of the Construction Lender under the Bond Documents and Loan Documents.

SECTION 10.16 **Termination of References.** All references in this Assignment to the Construction Lender shall be of no further force or effect and shall be disregarded for all purposes of this Assignment from and after the Conversion Date or the date that the Trustee receives written notice from Fannie Mae or the Loan Servicer that (i) the Letter of Credit is no longer in full force and effect; or (ii) the provider of the Letter of Credit has failed to honor a draw under the Letter of Credit or (iii) the Construction Lender has failed to perform its obligations under the Construction Phase Financing Agreement.

The remainder of this page is intentionally blank.

The parties have duly executed this Assignment as of the day and year first above written.

**THE HOUSING AUTHORITY OF THE COUNTY
OF LOS ANGELES**

By: _____
 Executive Director

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By: _____

Authorized Officer

FANNIE MAE:

By: _____

Name: _____

Title: _____

ACKNOWLEDGED, ACCEPTED AND AGREED:

CASTAIC SENIOR COMMUNITIES, L.P.,
a California limited partnership

by: SANTA CLARITA VALLEY COMMITTEE ON AGING
CORPORATION,
a California nonprofit public benefit corporation,
its Managing General Partner

by: _____
Donald L. Kimball
its Vice President and
Executive Board Member

by: _____
Brad Berens
its Executive Director

by: CASTAIC SENIOR COMMUNITIES LLC,
a California limited liability company,
its Co-General Partner

by: COMMUNITY HOUSING DEVELOPMENT
GROUP, INC.
a California corporation,
its Member

by: _____
Jules Swimmer
its President

[ASSIGNORS'S ACKNOWLEDGMENT]

STATE OF _____)
_____) ss.
COUNTY OF _____)

On _____, 20____, before me, _____,
a Notary Public in and for said State, personally appeared

_____.

personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature _____ (Seal)

[TRUSTEE'S ACKNOWLEDGMENT]

STATE OF _____)
_____)
COUNTY OF _____)

On _____, 20____, before me, _____,
a Notary Public in and for said State, personally appeared

_____.

personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature _____ (Seal)

[FANNIE MAE'S ACKNOWLEDGMENT]

STATE OF _____)

_____)

COUNTY OF _____)

On _____, 20____, before me, _____,
a Notary Public in and for said State, personally appeared

personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature _____ (Seal)

[BORROWER'S ACKNOWLEDGMENT]

STATE OF _____)

_____)

COUNTY OF _____)

On _____, 20____, before me, _____,
a Notary Public in and for said State, personally appeared

_____.

personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT A
Legal Description

The Mortgaged Property located at 31990 Castaic Road, in the city of Castaic,
county of Los Angeles, state of California, and more particularly described as follows:

PARCEL 2 AS SHOWN ON PARCEL MAP 18923, FILED IN BOOK 247 PAGES 34 TO 38
INCLUSIVE OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID
COUNTY.

EXCEPT FROM THAT PORTION OF SAID LAND DESCRIBED IN DEED REFERRED TO BELOW,
ALL MINERALS AND HYDROCARBONS, WITHOUT, HOWEVER, THE RIGHT OF ENTRY THEREFOR
ABOVE A DEPTH OF 500 FEET BELOW THE SURFACE OF SAID DESCRIBED LAND, AS
RESERVED BY PACIFIC LIGHTING GAS SUPPLY COMPANY, A CALIFORNIA PUBLIC UTILITY
CORPORATION, IN DEED RECORDED AUGUST 19, 1963 IN BOOK D-2149 PAGE 753,
OFFICIAL RECORDS, AS INSTRUMENT NO. 1175.

EXCEPT THEREFROM, ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS
RIGHTS AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, GEOTHERMAL STEAM AND
ALL PRODUCTS DERIVED FROM ANY OF THE FOREGOING, THAT MAY BE WITHIN OR UNDER
THE REAL PROPERTY REFERRED TO ABOVE, TOGETHER WITH THE PERPETUAL RIGHT OF
DRILLING, MINING, EXPLORING AND OPERATING THEREFOR AND STORING IN AND
REMOVING THE SAME FROM SUCH REAL PROPERTY OR ANY OTHER PROPERTY, INCLUDING
THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM PROPERTIES OTHER
THAN THE REAL PROPERTY REFERRED TO ABOVE, OIL OR GAS WELLS, TUNNELS AND
SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE REAL PROPERTY REFERRED
TO ABOVE, AND TO THE BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED
WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS
THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND
OPERATE ANY SUCH WELLS OR MINES WITHOUT, HOWEVER, THE RIGHT TO DRILL, MINE,
STORE, EXPLORE OR OPERATE THROUGH THE SURFACE OF THE REAL PROPERTY REFERRED
TO ABOVE OR THE UPPER 500 FEET OF THE SUBSURFACE OF SUCH REAL PROPERTY.

ALSO EXCEPT THEREFROM ALL WATER AND WATER RIGHTS NOW OR IN THE FUTURE OWNED
BY GRANTOR APPURTENANT TO OR RELATED IN ANY WAY TO THE REAL PROPERTY
REFERRED TO ABOVE OR USED BY GRANTOR IN CONNECTION WITH OR RELATED TO SUCH
REAL PROPERTY (NO MATTER HOW ACQUIRED BY GRANTOR) TOGETHER WITH THE RIGHT
AND POWER TO EXPLORE, DRILL, REDRILL, REMOVE AND STORE THE SAME FROM, UNDER
OR IN THE REAL PROPERTY REFERRED TO ABOVE OR TO DIVERT OR OTHERWISE UTILIZE
SUCH WATER, RIGHTS OR INTERESTS ON ANY OTHER PROPERTY OWNED OR LEASED BY
GRANTOR AND THE RIGHT AND POWER TO CONDUCT WATER OVER OR TO STORE WATER
UNDERNEATH THE REAL PROPERTY REFERRED TO ABOVE BY SUCH MEANS AS GRANTOR
DEEMS REASONABLE; WITHOUT, HOWEVER, THE RIGHT TO DRILL, MINE, EXPLORE OR
OPERATE THROUGH THE SURFACE OF THE REAL PROPERTY REFERRED TO ABOVE OR THE
UPPER 50 FEET OF THE SUBSURFACE OF SUCH REAL PROPERTY. THE WATER AND WATER
RIGHTS EXCEPTED AND RESERVED TO GRANTOR INCLUDE, BUT ARE NOT LIMITED TO, ALL
RIPARIAN WATER RIGHTS, ALL APPROPRIATIVE WATER RIGHTS, ALL WATER RIGHTS AND
RIGHTS TO STORE WATER IN SUBSURFACE RESERVOIRS BASED ON OVERLYING LAND
OWNERSHIP, ALL LITTORAL WATER RIGHTS, ALL RIGHTS TO PERCOLATING WATER, ALL
PRESCRIPTIVE WATER RIGHTS, ALL ADJUDICATED, STATUTORY OR CONTRACTUAL WATER
RIGHTS, ALL RIGHTS TO AQUIFERS, RESERVOIRS, SUBSURFACE AND SURFACE WATERS,
AND ALL RIGHTS TO TAKE, USE AND DEVELOP FOR USE ANY AND ALL WATER THAT MAY
NOW EXIST OR MAY IN THE FUTURE EXIST UPON, IN OR UNDER THE REAL PROPERTY
REFERRED TO ABOVE.

**RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:**

GMAC Commercial Mortgage
Corporation
4195 East Thousand Oaks Blvd., Suite
201
Westlake Village, CA 91362
Attention: Closing Dept.

GMACCM # AHD-00105

(Space Above for Recorder's Use Only)

ASSIGNMENT AND INTERCREDITOR AGREEMENT

by and among

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES,

U.S. BANK NATIONAL ASSOCIATION, as Trustee

and

FANNIE MAE,

and

acknowledged, accepted and agreed to by

CASTAIC SENIOR COMMUNITIES, L.P.

Relating to
\$9,300,000

The Housing Authority of the County of Los Angeles
Variable Rate Demand Multifamily Housing Revenue Bonds
(Castaic Senior Apartments Project), Series 2003C

TABLE OF CONTENTS

Page

ARTICLE I.....	DEFINITIONS AND INTERPRETATION	1
SECTION 1.1	Incorporation of Recitals.....	1
SECTION 1.2	Defined Terms	1
SECTION 1.3	Rules of Construction	1
SECTION 1.4	Interpretation.....	2
SECTION 1.5	Effective Date	2
ARTICLE II	TRANSFER OF ASSIGNED RIGHTS	2
SECTION 2.1	Assignment of Assigned Rights to Fannie Mae and the Trustee	2
SECTION 2.2	Acknowledgement of Exclusion from Assignment	2
SECTION 2.3	Limitations on Issuer.....	2
SECTION 2.4	Power of Attorney.....	2
SECTION 2.5	Disclaimer of Assumption of Obligations	3
SECTION 2.6	Confirmation of Assignment and Transfer	3
SECTION 2.7	Further Assurances.....	3
ARTICLE III.....	LOAN SERVICING	3
SECTION 3.1	Loan Administration	3
SECTION 3.2	Servicing	3
SECTION 3.3	Monitoring	4
SECTION 3.4	Payments to Fannie Mae.....	4
ARTICLE IV	CONTROL OF ASSIGNED RIGHTS	4
SECTION 4.1	Possession of Note and Security Instrument.....	4
SECTION 4.2	Exclusive Exercise of Assigned Rights by Fannie Mae	4
SECTION 4.3	Disposition of Loan.....	4
SECTION 4.4	Assignment of Loan Without Payment or Redemption of Bonds	4
SECTION 4.5	Assignment of Assigned Rights Upon Payment or Redemption of Bonds in Whole.....	5
SECTION 4.6	Consequences of Foreclosure	5
SECTION 4.7	Amendments to Loan Documents.....	6
SECTION 4.8	New Borrower.....	7
SECTION 4.9	Fannie Mae Assignment	7
ARTICLE V.....	TRANSFER OF ASSIGNED RIGHTS TO TRUSTEE	7
SECTION 5.1	Transfer of Assigned Rights to Trustee	7
SECTION 5.2	Exercise of Assigned Rights after Transfer to Trustee	8
ARTICLE VI.....	TRUSTEE	8
SECTION 6.1	Certain Notices to Fannie Mae, the Loan Servicer and the Construction Lender	8
SECTION 6.2	Power of Attorney.....	9

TABLE OF CONTENTS
(continued)

	<u>Page</u>
SECTION 6.3 Enforcement.....	9
SECTION 6.4 Bailee	9
SECTION 6.5 Records and Books of Account.....	9
SECTION 6.6 Examination of Records and Books of Account.....	10
ARTICLE VII	INSURANCE AND CONDEMNATION
SECTION 7.1 Insurance	10
SECTION 7.2 Condemnation	10
ARTICLE VIII	REGULATORY AGREEMENT
SECTION 8.1 Monitoring of Regulatory Agreement	11
SECTION 8.2 Termination of Regulatory Agreement.....	11
SECTION 8.3 Right To Enforce Compliance	11
SECTION 8.4 Notices of Violations of the Regulatory Agreement.....	11
SECTION 8.5 Cure Rights	11
ARTICLE IX.....	ISSUER’S COVENANTS
SECTION 9.1 Limitations on Issuer.....	12
SECTION 9.2 Enforcement.....	12
SECTION 9.3 Specific Performance	13
SECTION 9.4 Control on Right of Redemption.....	13
SECTION 9.5 Consents to Maturity and Sinking Fund Schedules	13
SECTION 9.6 Remarketing Agreement; Tender Agent Agreement	14
SECTION 9.7 Further Assurances.....	14
ARTICLE X.....	MISCELLANEOUS
SECTION 10.1 Exculpation	14
SECTION 10.2 Disclaimers; Acknowledgments	14
SECTION 10.3 Liability of Borrower	15
SECTION 10.4 Notices	15
SECTION 10.5 Waivers	16
SECTION 10.6 Amendments	16
SECTION 10.7 Severability	16
SECTION 10.8 Execution in Counterparts.....	16
SECTION 10.9 Governing Law	17
SECTION 10.10 WAIVER OF JURY TRIAL.....	17
SECTION 10.11 Termination.....	17
SECTION 10.12 References.....	17
SECTION 10.13 Additional Agreement.....	17
SECTION 10.14 No Merger of Interests.....	17
SECTION 10.15 Construction Phase Financing Agreement.....	17
SECTION 10.16 Termination of References.....	18

TABLE OF CONTENTS

Page

An extra section break has been inserted above this paragraph. Do not delete this section break if you plan to add text after the Table of Contents/Authorities. Deleting this break will cause Table of Contents/Authorities headers and footers to appear on any pages following the Table of Contents/Authority.